

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

COUNTY COUNCIL OF THE WEST RIDING OF YORKSHIRE.

TREASURER'S DEPARTMENT.

The County Council of the West Riding of Yorkshire invite applications for the post of Deputy Treasurer at a salary of £800 per annum, rising by fixed annual increments of £50 to £1,000. Applicants must possess a thorough knowledge and experience of the keeping of Local Government Accounts, and must be Chartered or Incorporated Accountants or hold the Final Examination Certificate of the Institute of Municipal Treasurers and Accountants (Incorporated).

Applications should be made not later than August 31st on forms, which, together with particulars of the duties of the office, may be obtained on application to

The Clerk of the County Council, County Hall, Wakefield.
July, 1928.

Contents.

	PAGE
Professional Notes	890
Income Tax on Voluntary Payments (Article)	892
Incorporated Accountants' Hall (Article)	893
The Society of Incorporated Accountants and Auditors:—	
Council Meeting	895
Examination Results (South Africa)	404
Membership	416
Obituary	394
The Truth about Industry: Lecture by Mr. Archibald Crawford, K.C.	394
Income Tax Assessments based on Current Legislation: Lecture by	
Mr. W. F. Edwards, A.S.A.A.	899
Changes and Removals	404
Institute of Municipal Treasurers and Accountants: Presidential	
Address by Mr. W. Allison Davies, O.B.E., F.S.A.A.	406
Correspondence:—	
Costs for Manufacturers	415
Lien Claimed for Accountancy Charges	416
Incorporated Accountants' Y.M.C.A. Fund	417
Deed of Arrangement, What Constitutes?	418
Claim against Receiver for Debenture Holders	418
New Bankruptcy Rules	419
District Societies of Incorporated Accountants	419
Scottish Notes	419
Legal Notes	420

MARRIAGE OF MR. A. A. GARRETT.

THE marriage of Mr. Alexander A. Garrett, Secretary of the Society, to Miss Mildred Starrett, of Columbia University, New York, daughter of the late Mr. Frank Elmer Starrett, of Athol, Massachusetts, U.S.A., took place at the Friends' Meeting House, Jordans, Bucks., on Saturday, July 28th, in the presence of relatives only. The sincere good wishes of all Incorporated Accountants will be with Mr. and Mrs. Garrett.

Professional Notes.

THE Companies Bill was further considered on the Report Stage in the House of Commons on Thursday, July 26th, and, after lengthy debates, was eventually read a third time and passed. It now awaits final revision in the House of Lords, and will no doubt receive the Royal Assent before the close of the session. The principal fight on the Report Stage was on Clause 89, relating to accounts, and an amendment was moved in order to provide for a rigid form of balance-sheet which every company, whatever its trade or business, would be compelled to adopt.

The President of the Board of Trade, Sir Philip Cunliffe-Lister, declined to accept the amendment, and stated that since the Committee Stage he had made it his business to consult the three accountant-members of the Greene Committee—Sir William McLintock, Sir James Martin and Mr. William Cash—and he said they had strongly confirmed his view that a rigid form of balance-sheet was less desirable than the existing system, and he intended to abide by the Report of the Greene Committee which laid down that it was far better that the law should retain its elasticity in this respect than that an attempt should be made to confine it within the bounds of a rigid formula.

The opposition in the House as in Committee was led by Mr. A. V. Alexander, who argued from his experience in the co-operative movement, that a rigid form of accounts was both practicable and desirable. Against the arguments of the President of the Board of Trade and the support given to him by the accountant-members of the Committee, Mr. Alexander cited Mr. Henry Morgan (the Vice-President of the Society of Incorporated Accountants and Auditors), the City Editors of the *Times* and the *Daily Mail*, and did the *Incorporated Accountants' Journal* the honour of bringing it into the fray also, but the President was adamant, and the amendment was defeated by 204 to 111 votes.

It is not desirable to discuss the matter further in these notes. When the Companies Bill becomes an Act we shall be able calmly to review it as a statute. Meanwhile we need only say that in our opinion the Greene Committee—which was thoroughly representative of the business, official and professional life of the country—has never been given (except by the Board of Trade) credit for its immense labours. It held 89 sittings and examined every representative witness who was able to afford information. These witnesses included the chosen representatives of the Institute and the Society. The Committee in its unanimous report, acted in

a thoroughly judicial spirit and disregarded all considerations either of a class or personal nature. The President of the Board of Trade has therefore been justified in standing by his Committee, and we hope that the Companies Acts as amended will be of material advantage to the commerce and industry of Great Britain and Northern Ireland.

The new Hall of the Chartered Institute of Secretaries was opened on July 3rd, when the President, Brigadier-General Arthur Maxwell, received a large company to meet the Lord Mayor and Sheriffs. The Hall is in the Cripplegate Ward of the City of London, and lies immediately within the ancient wall. The site upon which the Hall stands has been for centuries, until its recent acquisition by the Institute, the property of the Worshipful Company of Curriers, whose records go back to the year 1363. The present Hall, which has been adapted for the purposes of the Institute, was built in 1875. The building generally was much admired by the guests, and the arrangements of the large Hall, the Council Chamber, the Members' Library, and the Administrative Offices, have been carried out both with taste and discretion. The Institute of Secretaries was formed in October, 1891, and received a Royal Charter on November 4th, 1902, and has a membership of 6,000 Fellows and Associates.

Mr. Justice McCardie, at the Birmingham Assizes on July 25th, made some remarks concerning income tax "experts." "The defendant," said his Lordship, "is a type of rascal who poses as an income tax expert. Some such experts are honest, some are thoroughly dishonest. This case may well be a warning to the public to choose persons whom they know to be honest and respectable, otherwise they will expose themselves to extortion, blackmail, and all sorts of financial loss."

Messrs. Jordan & Sons, Limited, Company Registration Agents, Chancery Lane, London, have issued their Semi-Annual Statistical Report relating to new companies registered in England during the half year ended June 30th, 1928, from which it appears that the Company Registration figures for the six months ended June 30th, 1928, show an all-round increase as compared with the corresponding period of 1927. Public companies number 384 against 280 (increase 104), private companies 4,246 against 4,023 (increase 223), and both classes together total 4,630 against 4,303 (total increase 327). The aggregate nominal capital of public companies is £68,591,450 against £54,738,469 (increase £13,852,981), and that of private companies £34,365,723 against £30,687,367 (increase

£3,678,356). The total capital of both classes is £102,957,173 against £85,425,896 (total increase £17,531,337). This increase of 17½ millions in capital is the more striking because, in the period under review, there were no isolated companies with exceptionally large capitals, whereas in the first half of 1927 there was one company registered with £9,000,000 capital and another with £5,000,000.

The Manchester Chamber of Commerce has set up a new Appointments and Employment Department, and it is suggested that it might be useful to young Incorporated Accountants who desire to identify themselves with commercial appointments relating to finance and accounts. For many years past the London Chamber of Commerce has maintained an Employment Department in connection with the Commercial Education Scheme of the Chamber. It is widely known and has proved valuable both to employers and those seeking appointments.

A correspondent writes in regard to wear and tear allowances on sprinkler installations in the assessment of profits of firms and limited liability companies, that there appears to be a great disparity in the method of treatment by Inspectors of Taxes. No doubt, he says, this arises from the provisions of the Income Tax Acts, which give to each body of local Commissioners the power to grant whatever allowances (if any) they may deem reasonable for wear and tear on sprinkler installations. Our correspondent holds the view that the practice of allowances for wear and tear on these installations should be made uniform throughout the country, and he expresses the hope that we will bring the matter to the notice of our readers.

An important decision has just been given by the House of Lords, reversing the judgment of the Court of Appeal, in the case of the *Egyptian Delta, Land and Investment Company, Limited, v. Todd* (see *Incorporated Accountants' Journal*, April, 1927.) The company was incorporated in this country in 1904, but since 1907 the whole of its business has been carried on and controlled outside the United Kingdom. In order to comply with the requirements of the Companies Acts, however, it has a registered office in this country, where the register of members is kept. The question arose as to whether the company was liable to income tax as a person resident in the United Kingdom, and the Commissioners decided in favour of the company. The Inland Revenue Authorities appealed against this decision and Mr. Justice Rowlatt allowed the appeal, holding that a company may be resident in more than one place, and that, although the registration of a company was not in itself sufficient, the fact that certain

statutory duties (which could not be carried out except in this country) were imposed upon it necessarily involved residence here for income tax purposes, and this view was upheld by the Court of Appeal.

The House of Lords have now unanimously reversed this decision. Lord Sumner, in the course of his judgment, compared the position of a limited company with that of an individual person, and argued that the status conferred upon a company by the Companies Acts was comparable with the status of British subject conferred upon a man born in this country, and that just as a man's residence for income tax purposes depended, not upon his nationality or place of birth, but upon his "voluntary choice and habitual and repeated action such as making a home, keeping an establishment or pursuing a settled object in or at a particular place," so a company's residence was not determined by the country in which it was incorporated, but rather by the place in which it carried on business. He pointed out that this view accorded with the decision in the *De Beers* case, that a company was resident for income tax purposes in the country where it was effectively controlled and where its real business was carried on. This decision will affect a large number of companies, including those the management and control of which have been transferred abroad since the decision in the *De Beers* case.

Another case dealing with the vexed question of "residence" in relation to income tax came before the Court of King's Bench in *Proctor v. Ryall*. This was an appeal against assessments under Schedule E for the years 1920-21 to 1926-27 inclusive, and illustrates the importance of the form of agreements in certain circumstances. Under an agreement made in 1919, Mr. Proctor was appointed a foreign director of the Dunlop Rubber Company, Limited, at a fixed salary and commission on the profits of the foreign business. Since the date of his appointment Mr. Proctor had resided abroad and had not maintained a residence in this country, but he had been in the habit of coming over to England about once a month for the purpose of attending board meetings. It was no part of his duty to deal with the general business of the company, his attention being confined to the management of the foreign business, and he claimed that he was not liable to income tax under Schedule E as his employment was exercised abroad and he was not "resident" or "ordinarily resident" in the United Kingdom. The Special Commissioners having held that he was liable on the ground that he exercised an office or employment of profit within the United Kingdom, Mr. Proctor appealed, and Mr. Justice Rowlatt confirmed their decision but pointed

out that it seemed rather a hard case as, if the appointment had been made in a slightly different form, the appellant might not have been liable at all.

The National Provincial Bank, Limited, were defendants in a test case recently brought, in the King's Bench Division, by the Commissioners of Inland Revenue to decide a question under sect. 103 of the Income Tax Act, 1918. The Inland Revenue Authorities claimed that the bank was liable to render to them statements giving the particulars required under that section as to the interest on certain War Loans collected by the bank on behalf of its customers. The bank normally collected such interest (a) when acting as executors or trustees; or (b) when they held customers' stocks as security for overdrafts; or (c) when they held stocks belonging to a guarantor; or (d) when they held the stocks in their own name, or that of their nominees, for the convenience of customers. There appears to have been no real dispute about the interpretation of sect. 103, but the bank wished to protect itself by a decision of the Court before agreeing to disclose the affairs of its customers, and Mr. Justice Rowlatt had no difficulty in coming to a decision in favour of the Revenue Authorities.

In the June issue of the *Incorporated Accountants' Journal* appeared the report of the Joint Committee of the Association of Chambers of Commerce and other bodies on the question of the liability of certain Limited Companies to Super Tax under sect. 21 of the Finance Act, 1922, as amended by sect. 31 of the Finance Act, 1927. In the House of Commons on July 3rd, Sir Edward Iliffe moved and the Chancellor of the Exchequer accepted the following amending clauses to be inserted in this year's Finance Bill as an agreed settlement of a very vexed question:—

(1) Any company to which sect. 21 of the Finance Act, 1922, applies, may at any time after the general meeting at which the accounts of the company, made up for any year or other period, are adopted, forward to the Special Commissioners for their consideration a copy of the said accounts, together with a copy of the report, if any, of the directors for that year or period, and such further information, if any, as it may think fit, and the Special Commissioners shall, subject to the provisions of this section, on receiving the said accounts and other documents, if any, proceed to consider the position of the company in relation to the said sect. 21.

(2) The Special Commissioners may as soon as reasonably may be, but not later than 28 days after the receipt of the said accounts and other documents, if any, call upon the company to furnish to them

within 28 days, or such extended period as they may subsequently allow, such further particulars as they may reasonably require. Provided that if the particulars so required are not furnished to the Commissioners within the period or extended period allowed for the purpose, they may proceed under this section upon the information before them.

(3) Where a company has under sub-sect. (1) of this section forwarded to the Special Commissioners the accounts of the company for any year or other period, whether with or without any other documents, the following provisions shall have effect:—

- (a) Unless within three months after the receipt of the said accounts and other documents, or, if further particulars have been required as aforesaid within three months after the receipt of those particulars, or the expiration of the period within which those particulars are to be furnished, as the case may be, the Special Commissioners intimate to the company their intention to take further action in the case of the company under the said sect. 21 in respect of that year or other period, the power of the Commissioners to take any such further action in respect of that year or other period shall absolutely cease and determine; and
- (b) Notwithstanding that the Special Commissioners have given such an intimation as aforesaid, they shall not after the expiration of six months from the date of the intimation have power in relation to that company to issue a notice under paragraph (4) of the First Schedule to the Finance Act, 1922, with respect to that year or period, or, unless such a notice has been issued before the expiration of the said period of six months, to give a direction in relation to the company under sub-sect. (1) of sect. 21 of the said Act.

Income Tax on Voluntary Payments.

It is now settled law that a voluntary payment or gift if it accrues to a person by reason of an office or employment held by him is a profit within the meaning of Schedule E, Income Tax Act, 1918. As soon as it is ascertained that a voluntary payment accruing by reason of an office is a profit of the office there is established an office of profit, and the contention that there must be an office of profit before a voluntary payment can be a profit of that office is not maintainable. In *Cowan v. Seymour* (1920) 1 K.B., 500 the appellant acted as secretary of a company without remuneration from the date of its incorporation in January, 1912; and when the

company was wound up voluntarily in September, 1916, he was appointed liquidator for the purpose of the winding up, and he acted in that capacity also without remuneration. A final general meeting of the company was held in November, 1916, for the purpose of having an account of the winding up laid before the members of the company. It appeared that there was a sum in hand amounting to £1,172, which was divisible amongst the ordinary shareholders of the company. A resolution was passed at that meeting, which was assented to by all the shareholders of the company, that the chairman and the appellant be asked each to accept a moiety of the balance. The appellant received a moiety of the balance amounting to the sum of £586, and having been assessed to income tax in respect of that sum, appealed. It was held that in order to constitute a voluntary payment a profit accruing by reason of an office within Schedule E, it was not necessary that the office previously to the payment being made should have been an office of profit, and that there might well be a payment in respect of an office which had been gratuitous up to its termination such as to be a profit by reason of the office. In this case it was pointed out that a sum might be paid after termination of services in respect of those services, because the services themselves called for a supplement to a salary.

In *Benyon v. Thorpe* (1928) 44 T.L.R., 610 the respondent had been the managing director of a company, and after his retirement the directors paid him a voluntary pension, and subsequently stopped the pension, and instead thereof gave him a lump sum as a personal gift. The respondent was assessed to income tax on the amounts so paid to him. It was held that as the payments were merely gifts moved by remembrance of past services already sufficiently remunerated, the respondent was not liable to be assessed upon them. The question was whether the payments were "a profit or gain arising from an employment." To render them taxable at all they must be a "profit or gain" within the scope of the Act. The resolutions passed by the company were nothing more than the indication of an intention to make a series of gifts, and had no more effect than an ordinary banker's order given by a customer to his banker for the payment of a series of sums for charitable purposes. It is true a gift might become a "profit or gain" if it could be attached to an office, employment or vocation, the best known instance being that of an offering made voluntarily to a minister of religion. The same principle applies to voluntary payments in the nature of gratuities to servants—such as waiters—which they obtain only because they are carrying on a particular employment. The question then arises whether a

payment ceases to be a mere gift because what led to it is a past employment, which has ceased. It is abundantly clear that payments such as those arising in this case could not be considered as receipts in respect of an office. The payments were in reality nothing more than gifts moved by remembrance of past services already sufficiently remunerated, and stand on the same footing as gifts to a child or any other person whom the donor thought ought to be provided with funds.

Incorporated Accountants' Hall.

IN concluding our article on "The Society's New Home" in the July issue of the *Incorporated Accountants' Journal*, we expressed the view that the scheme as a whole, placed by the President of the Society, Mr. Thomas Keens, before the members in general meeting, needed their enthusiastic support.

We have not had long to wait for the response, as we are in a position to announce that the offer by the Council to the members of an issue of £70,000 Debentures to be secured on the freehold building formerly known as "Astor House" and in future to be known as "Incorporated Accountants' Hall" has been over subscribed. As stated in the official letter to the members, the purchase of the property at £95,000 is fixed for completion on October 31st next, and a further sum of about £5,000 will require to be expended for furnishing and other incidental expenses.

No announcement can yet be made as to the date of the opening of the Hall to the members, but it is hoped that before the autumn merges into winter the Society will be installed in its new home, and that an event of such importance in its life will not be allowed to pass without appropriate public notice.

At the meeting of the Society's Council on July 19th a resolution was passed requesting the senior Past President of the Society, Mr. Frederic Walmsley, of Manchester, to sit for his portrait, to be placed in Incorporated Accountants' Hall, and the Vice-President, Mr. Henry Morgan, intimated his intention to have painted for presentation to the Society a portrait of Sir James Martin. It is pleasant to know that the new home of the Society, while being the centre of new activities, will not lose its association with those who through more than 40 years have laboured for the cause which is to be enshrined in the beautiful building on the Victoria Embankment of the Thames.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in the Council Chamber, 50, Gresham Street, London, E.C., on Thursday, July 19th, when there were present:—Mr. Thomas Keens (President) in the chair; Mr. Henry Morgan (Vice-President); Mr. H. J. Burgess (London), Mr. W. Claridge, M.A., J.P. (Bradford), Mr. W. Allison Davies, O.B.E. (Preston), Mr. E. Cassleton Elliott (London), Mr. Walter Holman (London), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. F. Walmsley, J.P. (Manchester), Sir Charles Wilson, M.P., LL.D. (Leeds), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. A. A. Garrett (Secretary), and Mr. J. R. W. Alexander (Parliamentary Secretary).

Apologies for non-attendance were received from Mr. W. Bateson (Blackpool), Mr. Arthur Collins (London), Mr. D. E. Campbell (Wolverhampton), Mr. E. T. Kerr (Birmingham), Mr. J. Stewart Seggie (Edinburgh), and Mr. A. H. Walkey (Dublin).

NEW MEMBER OF THE COUNCIL.

The President cordially welcomed Mr. W. Allison Davies, who had been elected a member of the Council to fill the vacancy caused by the resignation of Mr. F. Ogden Whiteley.

DEATHS.

The Secretary reported the death of the following members:—Mr. Ernest Edward Aggleton (Associate), London; Mr. George Linnington Blatchford (Associate), Plymouth; Mr. James Bond (Associate), Ipoh (F.M.S.); Mr. Frank Ernest Butler (Associate), London; Mr. Albert William Harley (Fellow), Christchurch; Mr. John William Oldham (Associate), Manchester.

INCORPORATED ACCOUNTANTS' HALL.

The Chairman of the Building Committee intimated that the contract for the purchase of Astor House from the Sun Life Assurance Company of Canada had been executed.

A report was received from the Finance and General Purposes Committee that the issue of £70,000 5 per cent. Debentures, to be secured on the Hall, had been over-subscribed by members of the Society. The recommendations of the Finance Committee in regard to allotment were adopted.

It was unanimously resolved that Mr. Frederic Walmsley, Senior Past President, be asked to accept the presentation of his portrait in oils to be hung in Incorporated Accountants' Hall. Mr. Walmsley expressed to the Council his sense of appreciation at the kind proposal of the Council, to which he had much pleasure in acceding. The execution of the portrait will be entrusted to Mr. J. A. A. Berry, of Liverpool.

The Vice-President (Mr. Henry Morgan) kindly offered to present to the Society a similar portrait in oils of Sir James Martin. The Council gratefully accepted the offer, and Sir James Martin cordially thanked the donor.

CODIFICATION OF INCOME TAX LAW.

The report of a Special Committee of the Council on this question was received and adopted, and the Memorandum drafted by the Committee was ordered to be forwarded, as amended, to the Committee set up by the Chancellor of the Exchequer inquiring into this matter.

SOUTH AFRICAN BRANCHES.

Minutes received from the three Regional Committees in South Africa, in regard to the current business of the Society in the Union, were laid before the Council.

THE ACCOUNTANCY PROFESSION IN JAPAN.

Advices from members professionally engaged in Japan were received as to an Act recently passed by the Japanese Parliament, dealing with the accountancy profession. It appeared that the interests of Incorporated Accountants were not adversely affected.

EXAMINERS.

A letter was received from Mr. Robert Ashworth, F.S.A.A., F.C.A., Intermediate Examiner in Accountancy Subjects, requesting that he be relieved from the office of Intermediate Examiner in Accountancy Subjects, owing to an increase of his responsibilities in other directions. It was resolved that the resignation of Mr. Ashworth be accepted with regret, and that the Council express their thanks for the valuable services rendered by him to the Society in that capacity. It was unanimously resolved that Mr. Walter Holman, F.S.A.A., be appointed to fill the vacancy.

EXAMINATION FEES AND FEES ON ARTICLES OF CLERKSHIP.

It was resolved that in future the scale of fees be as indicated hereunder, and that such scale take effect forthwith:—

Exemption from the Preliminary Examination ..	£1 11 6
Application to sit for Preliminary Examination ..	£2 2 0
Application to sit for Intermediate Examination ..	£2 12 6
Application to sit for Final Examination ..	£3 3 0
Registration Fee on Articles of Clerkship ..	£1 1 0

A large number of new members were admitted, and other important business was transacted.

Obituary.

HARRY MEAD TAYLOR.

The death was announced, on July 19th, of Mr. Harry Mead Taylor, C.B., late of the Board of Trade, at the age of 56. Educated privately, he was articled to the late Mr. Arthur Edward Green, F.S.A.A., who afterwards became President of the Society. Mr. Mead Taylor was largely instrumental in forming the Incorporated Accountants' Students' Society of London, of which he became the first Secretary in 1891. Leaving accountancy as a profession, he joined the Department of the Official Receivers in Companies Liquidation, but resigned this appointment in 1900 in order to enter the service of Messrs. S. Allsopp & Sons, of Burton-on-Trent. He was associated with commercial and financial undertakings until 1914, and had some opportunity of travelling abroad. On the outbreak of the war he was appointed Secretary of the Foreign Trade Debts Committee. In 1916 he became Secretary of the Enemy Debts Committee, and in 1918 Controller of Trading Accounts of the Board of Trade. From 1920 to 1927 he was Assistant Secretary for Finance at the Board of Trade. He was created C.B. in 1923. Many of Mr. Mead Taylor's old friends in the Society will much regret the termination of an interesting career at a comparatively early age.

Mr. Lloyd George addressed a large demonstration at Waddesdon Manor, near Aylesbury, on July 14th, in support of the candidature at the next General Election of Mr. Thomas Keens, F.S.A.A., who formerly represented the Division in Parliament as a Liberal.

The Truth about Industry.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

Mr. ARCHIBALD CRAWFORD, K.C.
(Director of the Economic League).

The chair was occupied by Mr. A. A. GARRETT, B.Sc., B.A., F.C.I.S., Secretary of the Society of Incorporated Accountants and Auditors, in the unavoidable absence of Sir James Martin.

Mr. CRAWFORD said: I am very glad indeed to be here to-night. In the first place, it is nice to be in the Cordwainers Hall, because I happen to be a cordwainer. I am a member in Glasgow (which I have now left) of the Cordiniers, which I understand is very much the same thing, and should I at any time in my life, or my widow, fall indigent, the cordwainers will no doubt come with due accounting and control to the assistance of myself or my relict. (Laughter.)

Now, it is very interesting to be in touch with the Incorporated Society of Accountants students. I have always been a very bad accountant myself. I never keep cheque counterfoils and do not know how my account stands—(laughter)—therefore I have very great reverence for those who are experts in the scrutiny of other people's finances. I think you do a very useful work, because you bring trained minds to the field of industry and you help those who are very busy on what I may call the creative side, to have a more accurate idea of exactly what they are doing on the financial side, and you are able, through your costing systems, to point out how many processes might be improved and many developments undertaken which ordinary industrialists would have no conception of but for your guidance. You apply the meticulous, the microscopic mind to the financial side of commerce and industry, and it is a very noteworthy thing that more and more, as the years go on, your services are required. I happen to be a lawyer with twenty years' experience at the Scottish Bar, and I know how much assistance I have received from accountants, and I know how my friend, Mr. Silvester, with whom I was associated in cases in Scotland, guided me on paths where I felt very hesitant and diffident.

It is very appropriate for you, who are the financial guides, if I may so put it, of industry, to have a discussion on industrial matters. The very qualities of mind that you apply to industry are those which, in my opinion, are most urgent at the present time, because it is exact thinking on the actual facts of industry, and what these foretell and may lead to, that is most required at the present moment. A deal of discussion goes on in this country—sometimes heated and sometimes cold and scientific—with regard to industry. We know that at the present time conferences are impending—some have already taken place—with regard to industrial relationships, and it is therefore obvious that the question of industry, and particularly of industrial relationships, is one of vast importance to those of us who are interested in the national welfare.

We hear a great deal of heated talk about industry, and we find people on one side, and other people on the other side, getting worked up with regard to the points of view of themselves and others. You would almost think that there are two classes in industry engaged in a kind of perpetual warfare—which, of course, if you only think of the matter, is the greatest possible nonsense. There may, however, be conditions which create feelings of animosity; and it is for those of us who are engaged in the study of these matters to try and get down to bedrock and understand exactly why these wrongs, and, perhaps, overheated conceptions, arose,

and what may be done to correct them. The first thing to do, I think, in regard to industry, is to analyse it; that is what you accountants do whenever figures are put before you.

We find that in industry there are four main factors, and that these are working together—whether for good or ill is another matter—and they must work together if production is to be the result. Production, after all, is the aim of industry, and production is the basis of life. If industry, whether it be agricultural or manufacturing, were to cease, our lives would be in jeopardy. Therefore, in dealing with industry, we are dealing with something that is fundamental to our welfare and to our existence.

In industry, then, there are four factors. The first is capital. A great deal is said about capital, and a great deal of heated controversy rages around capital. The moment you mention the word "capitalist," which I think is an invention of those who have not got capital, it is like holding out a red rag to a bull. But capital, after all, is a simple thing. It is simply that which you produced yesterday and did not use yesterday, and are able to lend either to yourself or to somebody else for the purpose of creating new production to-day. It is perfectly obvious, when you come to think of it, that capital is something that is essential and cannot be got rid of, and those who talk about the abolition of capital, or the abolition of capitalism—which is the centring of capital in certain hands—are indulging in talk which has no foundation in commonsense.

Capital is something that is essential, then; it is the savings of yesterday and it is the basis of production. From capital you get other things. You get the clever man who thinks out, in the still hours of the night perhaps, some brilliant idea. He is the inventor. He sees how this thing and that thing may be pieced together, and how, with financial support, he may get other things and put them together in new forms. He is the man who is largely responsible for modern civilisation and all that it means. He is the person who uses capital in a particular way; that is to say, he is able to place at the disposal of somebody else a new combination of material things in such a way that other material things are able to be produced.

The next factor in production is management. There is a person who says "I must get together capital and ideas—capital from the capitalist and ideas from the inventor—and put the conception into practical operation." He is the manager; and if he is going to have production on any scale at all, he must get together the fourth factor known as labour.

Labour in a general sense is the combination of those who work, not by their brains, but by handiwork. In times gone by—particularly before the industrial revolution—the whole industrial process of production was often combined in the one hand and the one mind; that is to say, an individual having saved up enough of yesterday's goods, had a bright idea about them and used his own labour in order to produce. Things went fairly well, so far as industrial relations were concerned, as long as there was not too much warring between the various persons who claimed the produce of this combination known as production. But after the industrial revolution, when steam and the ideas of mass production changed the whole conception of industry and placed in the hands of a few the control of the many who produced goods in vast quantities, serious troubles arose.

Now, it is quite plain that these four factors in industry must always be present whether you are dealing with a Socialist State or with any other State. You cannot imagine production that is not based on the savings from yesterday, and if those savings are in any way jeopardised, then you are going to endanger the whole machinery of production.

When the industrial revolution got into full play there happened that which should not have happened; there was a want of rhythm between the various factors in production. It was a wonderful change that took place with the introduction of machinery. Large quantities of goods were poured out in almost magic fashion by mechanical contrivances, the results of invention, attended by vast numbers of people—men, women and children in the early days. It was an enormous temptation to those who were in control, and in the early part of last century there was a want of harmony, a lack of rhythm, in those various forces, and those in charge of the capital took to themselves more than they ought to have taken. The result was that there were conditions in this country of a very deplorable character. We had in industry vast numbers of people who ought not to have been in it at all—aged people, mothers, youths who should have been at school or developing themselves in the open air. They were all congregated in the factories and mines.

In the early part of last century, therefore, as a result of these conditions, there came a very disastrous state of affairs to the community in general. But it is a curious thing that what brought that about—the invention of steam and the creation of bad conditions—was also the cause of a very beneficent change which took place. A large section of the population could no longer stand the conditions at home, and went to other parts of the world and helped to establish the British Empire.

Taking, however, the historical view of industry at home, we find that a very bad set of ideas was prevalent then, and that gave birth to another bad competitive set of ideas on the part of those who were being badly treated. The consequence was the Chartist Movement and other movements towards Socialism, the beginning of the trade union movement and the development of that movement throughout the last century, until the people became imbued with the idea that the system under which they were working was wrong, because a few people in the last century were working it wrongly. The whole tendency on the labour side was towards the feeling that the system was wrong.

The result was this, that you had throughout the last century, and right down almost to the present day, an impulse in industry hostile to the very fabric of industry itself, an impulse founded on the belief that the thing they were working was a wrong thing, founded on wrong principles, and that the partners, or those for whom they were working, were persons who ought not to be allowed to be working in it. We have, therefore, this conception—that what the workers were engaged in was a thing they ought not to have been engaged in, and that, therefore, they would not work loyally because the only thing for them to do was to destroy the whole structure. That was a very serious state of matters. It resulted in many strikes and in under-production, which affected practically every worker in the country; whether or not his mind went so far as to believe that the system was wrong, he felt vaguely that the thing was not as it ought to have been.

I venture to think that if an employer of to-day could have been transplanted back to that period and had started industry on the same lines as it is being worked now—I venture to think we would be in a very much better position than we are. This hostile atmosphere throughout industry would not have begun, and the developments in industry would be developments along the line of a great co-partnership endeavour.

It is perfectly plain that these four factors in industry must combine if the real productive result is to accrue. They are indissolubly linked together, and if they are to function as

they ought to function, one and all must have faith in the system which they are working. It is the only system we really know. We have seen the experiment in Russia, on a broad scale, of an opposite kind of system, and I do not think many of us would care to go out there with the object of living permanently under the conditions there. As far as one can judge from reports, the workers in Russia are gradually backing away from it.

We see clearly that there are four factors in industry and that they must all be there; and we see, also, that they must work loyally together. In order to work loyally together they must have faith in it. But if they are going to have faith in it, it must be proved to them that it is right, and that the wrongs in it are merely the unhappy expressions of the weaker side of human nature, that they are curable, and that any other system would lead to disaster.

It seems to me, if we look back again on the history of industry, we find this—that however defective the conduct of those engaged in industry may have been, it has delivered the goods. Come with me in a flight of imagination and look at the London of 1828, and then fly back to the London of 1928. You will say "Thank God we are back again." The enormous benefits that have been conferred, as a result of capital and labour in combination, are almost too great to be described. There is no doubt that the kind of industry which has been in operation, which has had as its mainspring that thing which brought you into the accountancy profession—a desire to do better than you did before—that kind of industry has done wonderful things for this country, and if you deadened or curtailed it, thereby preventing its free development, I think things would be very much worse than we find them to-day. We find running through industry that indefinable magic spirit, that something which spurs you on, which very often makes life disagreeable because you see that another fellow has more of it than you have. Why are you often unhappy about your position? Because another fellow is cleverer or works harder than you. That feeling produces a reaction, and you say "I will do better than that fellow in the next exam; I am going to pass." I myself went through nineteen examinations. I failed in the first one, and I was so ashamed to look my father in the face that I vowed I would never fail again, and I never did.

I remember being in a Government Department at the end of the war and I thought "This is a nice way of contributing service; you do exactly what you are told. It seems nice and easy." I knew I had to go back to the Scottish Bar, which is not exactly a playground, and I did not like going back. I pretended to myself for a bit that I would do better in the public service. I found that I rather disliked the keen competition of my brethren. But I went back to it and faced the competition and had many years of ardent striving. It was far better for me to have done that than to have stayed in the shelter, because one was developing one's qualities which are what I describe as initiative and enterprise.

You will agree, I think, that human life is based on this process of evolution, that these are the things that have made our great industries what they are, and that anything that would curtail or damp them down would be bad. We find, on looking back over industry, that it has delivered the goods, and that has been because of these qualities. It has also had defects—the defects I have alluded to—but if you compare the decades from 1820 (I imagine that to have been a very black year), you will find the black getting whiter and whiter, right down to the present day. If you went round the industrial centres of this country, despite the many things that are said against the industrial system, you would find an enormous number of good things going on in the way of industrial

relationships. If the best of these things can be taken out—if you go to a model firm for instance, and take out the good things that are happening and, as it were, put those in front of the employers who are more backward, and also in front of the trade unionists who are unwilling to co-operate, I think they would not fail to be impressed.

Inside industry, to-day, is to be found the germ of all future progress. If you attempt to stereotype the cure for defects you will do something that is contrary to life. There has been an enormous improvement in industrial conditions during the last 100 years. There are, however, defects which have yet to be removed. I give some credit to labour agitators for constantly putting on the screen the bad things that are going on in industry, and in insisting on their removal. But it does not mean that their remedy is right; not by any means. They are, however, doing good work in trying to get the evils eradicated.

One of the causes, I think, of the improved industrial atmosphere was the general strike, or, rather, the defeat of the general strike. My own view about the general strike is this, that it was the last movement of the wave which started back in the last century, owing to the very bad conditions of which I have spoken—the broad labour impulse that the system was all wrong, and that the only way to get rid of it was by a violent move against it. They had that violent move and it did no good. I think the industrial atmosphere in this country is now in a purified condition. Those engaged in industry are now willing to look in the direction of ascertaining how they can improve matters. The general strike was really the prelude to the conferences which are going on just now. I think, therefore, that the real truth about industry is this: so far as the relationship side is concerned, there is ample material, if we study all the things that are going on, to clear a way to the future.

Last week I was in Germany. The Economic League, of which I am director, includes in its objects the study of the conditions of industry, and encourages a belief in private enterprise. It shows that within that system lies the way to improvement. The League is related to organisations of a similar nature in most of the countries of the world, and it so happened that last week it was my business to go to Germany, to return a visit which certain German representatives had made last summer to our organisation in London. During that visit I had an opportunity of meeting many interesting people in Berlin, and it may interest you to know that I told them what we are doing in Great Britain and the methods we employ to put before the public these various economic truths. They replied that in their country it would be exceedingly difficult to do any public work of the nature I was discussing other than, perhaps, Press work, because of the excitable nature of the people. Open air meetings are regarded as impossible.

I went down to Essen last Thursday night and spent the day there, and I want to describe to you the kind of development which may be a useful one for the future of industry. There is a certain group of industrialists in the Ruhr who have believed that it is necessary to train those entering industry in a belief in their calling, to show not only the actual technique of a particular job, but to show its relationship to every other part of production and to the world service in general; and there is an organisation which has its centre in the Ruhr, although it operates in other parts of Germany also, known as the Dinta Organisation. The object of the Dinta is to train apprentices first in their job, and, if they are not suited for it within three months, they are then directed to some other thing more suitable to their temperament. Secondly, they are taught to understand in a rough way the

costing of their job and the importance of not indulging in waste. Next, they are taught the relationship between their job and the whole process. Then they are taught the difficulties of management, the risks of management, and the difficulties of selling their product to the world. They, therefore, get a complete picture of the operations, in the hope that they will take pride in it and realise they are doing a public service and have faith in their work, which is a fundamental necessity. That gives them a broad outlook and therefore increases their productivity and also their happiness, which is the object of all work in life.

In addition to that, they are trained in gymnastics and in all kinds of arts. They are taught how to drive a motor car and sail a yacht. In general, their whole life is given an impetus and a broader outlook. Young children belonging to their families—brothers and sisters between the ages of three and six—are looked after in a kindergarten school; and the older people, from 65 to over 80, if they so desire and apply for it, are put into occupations which are suited to their age and are thus able to earn quite considerable sums in addition to the pensions they receive. There are homes and hospitals of various kinds for the purpose of dealing with them if they are unwell.

That is an interesting experiment. I only cite it as the last one I came across. It does seem to me a hopeful and very detailed way of endeavouring to enlist the interest of the future worker. It may be that it is too detailed, too systematic and too organised, that it is suitable to Germany and would not be suitable to this country. Personally, I think a system like that might be too detailed for us; but I would like you to realise that in industry a thousand and one things are going on of a very useful character, and the more we can talk about them the better it is, because it is by the human mind playing on these things that the individual, or firm, will get to understand them. I think it would be a great mistake to attempt to stereotype the improvements in industry and put them down as a dose of medicine that would do the trick in a day or so after treatment was received. It seems to me that it is by gradual evolution that we are going to improve matters, and as accountants render a very definite service to industry the subject must be one of your most serious considerations.

Discussion.

Mr. S. T. MORRIS, Incorporated Accountant: There is just one point I should like to ask the Lecturer. Is he definitely in favour of profit-sharing schemes for employees, and, if so, is there any particular class of scheme which he has found more advantageous than others? Accountants are very often asked to advise on a system of profit-sharing, and we should value any remarks he may make on the subject.

Mr. S. E. STRAKER: Reference was made to the inventor. My experience has been that the inventor is a person who, in comparison with the financier, is looked down upon. I would rather like the Lecturer to give us his views as to what should be the measure of recompense to the inventor. Mr. Crawford said that if we could transport employers of the present day back to a century or so ago, we should probably not have heard of the revolutions and movements of those times. Would he give us his view as to whether he considers the improvement of the relationships and points of view has been brought about by pressure from the trades unions? I suppose to-day the accountancy and legal professions are the only ones engaged within industry who still retain a portion of the Guild system. One good thing the Guilds did was to educate and encourage apprentices. If you consider the troubles experienced in the last few years in the building and allied trades, you will find that practically the whole of those troubles was caused by lack of technical education for people entering the trades. Mr. Crawford referred to the German Dinta organisation. Possibly the Dinta on the Ruhr, in some form or other, has copied the Guilds, and I would like him to say to what

extent the Guild system would be applicable to present day industry in this country.

Mr. C. E. WAKELING, Incorporated Accountant: I really have not a question to ask, but it is my personal opinion that half of the industrial strife is due to the fact that the office staff wear clean clothes and the workmen wear dirty clothes, and the office staff look down on the workmen, who, in turn, are suspicious of the office staff. It seems to me that, in order to create an ideal state in industry, it would be necessary to break down this absurd position and bring these two classes to a better understanding. I should like to know whether our Lecturer can advise any scheme whereby the office staff (I include the administrative staff) can be brought to amalgamate more with the workers, and thus break down this barrier, which I feel is one great cause of industrial strife.

Mr. F. DUBOIS, Incorporated Accountant: Mr. Crawford referred to the introduction of machinery as resulting in the emigration of large numbers of workers who helped to found the British Empire. I have a little difficulty in reconciling in my mind the enormous saving, which, I understand, has been effected by machinery, with the comparatively small number of people who have emigrated. I cannot quite see how emigration alone could have exhausted the labour displacement arising from the introduction of machinery. Possibly Mr. Crawford can make that a little clearer to us. It occurs to me that the explanation may be that, following the use of machinery on an extended scale, larger numbers of people in this country have applied themselves to administrative work.

Mr. M. BENJAMIN, Incorporated Accountant: Mr. Crawford could hardly expect to deliver a lecture advocating private enterprise as against Socialism without some of his statements being challenged. I do not wish to espouse the cause of Socialism, but I would point out that there are quite as many fallacies in the argument put forward by those who speak from the point of view of private enterprise as in that by those who advocate Socialism. We were told that when one talks about capital and capitalism it is, to the workman, like holding out a red rag to a bull. I do not think, however, that there are many workers in a proper state of mind who would suggest the abolition of capital. Mr. Crawford told us how badly treated were the workers at the time of the industrial revolution, and he showed us that capital is merely the amassed wealth of yesterday. Of course, a great deal of capital is represented by the labour of the people then employed, and it is this knowledge which infuriates the working classes against the unequal distribution of the results of their labour—symbolised by the individual ownership of large capital. They know how the money was made, and they see how much of it is wasted, while they have not even the means of livelihood. The Lecturer referred to the condition of the people at the time of the industrial revolution. These conditions have not been sufficiently realised by the capitalist classes—there was nothing short of the vilest exploitation of the worker. Children of between eight and twelve years of age worked as much as sixteen to twenty hours a day in factories, without any safeguards against bodily injury frequently inflicted by the machinery employed; women in extreme invalidity worked up to the waist in water in the mines—all to satisfy the feverish desires of the employing classes for the reward of production. This has been burnt into the brains of the workers, and it is with much justification and conservatism of their past that they disregard the reasonable claims of capital at the present time. It is easy for us, who do not feel the misery of extreme poverty and the direct results of the exploitation, to discuss the state of industry from the point of view of the economist and of the business man with great philosophy, but the worker feels justified in his impatience of our deliberations. The solution, I think, of present day problems is not to be impatient of the views of the workman, or to be definitely antagonistic to him on account of them, but rather to try to understand him, to bear with him, and to get him to understand the claims of the community upon him. Further, with reference to State control of industry, I submit that it is merely a question of degree. The State now, in England, controls the business relationship of its members with each other in such vital matters as business contracts, the form and regulations of various associations for profit, &c., and it is now merely as to whether it shall, or shall not, take over to itself further control. I suggest that a system which permits the employer

and the worker to keep at loggerheads, thus paralysing the industry and welfare of the country, is wrong. The Government should not be able to say that it is not their business to interfere, and it is not within the scope of their authority, as was said during the strike of miners following the last general strike. Such a system is intolerable in any civilised State. It should be the definite duty of the governing body to take the matter immediately in hand. Mr. Crawford implied that to create a state of Socialism would have the effect of doing away with private ambition. Under the Government departmental system, as it exists to-day in the Post Office and in other branches of the Civil Service, we have a Postmaster-General and others who have risen to high office by their personal ambition—surely positions worthy of high ambition; while under the present system of company organisation even the managing director of a great company is subject to as much, if not more, check than the head of a Government Department. In Germany, much is done to encourage the interest of the workers so that they will think of the benefits which will be conferred upon the community by hard and conscientious work; well, I suggest that under a system of social enterprise, given the same conscientious worker, he would have greater cause to give of his best in the knowledge that the product of industry is indeed to benefit the community to the full.

Mr. R. F. SILVESTER, Incorporated Accountant: I have seen advocated for some time, not only in the general Press, but also in the *Accountant*, schemes for the education of managers. Now, one of the underlying schemes of industry is apprenticeship, and if there is anything in management at all—and apparently there is, because accountants are getting jobs as managers—surely it is desirable that there should be some form of apprenticeship for management. I should like to hear our Lecturer's views as to whether there is anything in the suggestion that management should form a subject for special training.

Mr. CRAWFORD: This is not the first time that I have been heckled, because I stood for Parliament twice. (Laughter.) It reminds me of those old days. Taking the last question first—Mr. Silvester's question about apprenticeship for employers—I think there is nothing more desirable. Of all the difficult parts of industry, of all the parts requiring a sense of responsibility, a knowledge of human nature and a knowledge of all the processes, I think management is the one which requires most training. It would be very desirable if we could institute classes, or a school, at which management could be taught to those who intend to go in for it. Under the Dinta system in Germany they do train young people who are going in for management. It would take me a long time to answer Mr. Benjamin, because he really gave a reply to my main theme. I agree with him that it is very difficult to state positively one way or the other; I think the truth lies in a balance. In certain branches of life there may be circumstances in which Government control is essential; for instance, in the monopoly services, such as lighting, water, &c., where there is no competition; but I am a believer still that that which we know about, which we know to have actually improved—the principle which we understand and know to be true to life—that that should be given its chance. I agree that Socialism as expounded in Russia is in a somewhat crude form. I do not know what Socialism really means, and until we understand precisely what it is going to do I think we ought to have nothing whatever to do with it. All I know is that we here are living under a system that has grown and improved and delivered the goods, and that is enough for me. It is quite possible for Mr. Benjamin to pick holes in my argument but he will not destroy it. This thing in Russia, as I say, is a crude thing. I would be very interested to find a condition of real Socialism in operation, and, if it were better than the other thing, we would go in for it. But the moment you try to control life too much it seems to break in your hands and the results are not good. I hope Mr. Benjamin did not think I was impatient of the views of the workers. All I say is that certain of the views of the worker are, in my opinion, wrong, and I would hope patiently to put them right. He referred to a comparison between the labour of industrial revolution times, when things were very bad, and the Russian industrial revolution. I would point out that in the industrial revolution employers got out of hand; but I said that a great deal of the modern revolution

is against that. With regard to emigration, I did not mean that emigration had put things right, or had been a natural outlet for surplus population in those days. It was a mere passing remark that the bad conditions in the country at that time caused people to go away, and those people got a new start in better conditions and, incidentally, created or helped to create the British Empire. You will observe that when they start things anew they start on better terms than we with our long-standing conditions of social injustice in the past are able to get for them. We are troubled now with the same problem—that is to say, although we have more people working than we had before the war, owing to the fact that the gates of emigration have been partially closed, we still have too large a population. The more things you make the more opportunities you create for other people, and the more labour you save the more labour you create. There are far more people working to-day than there were in the old days of the cottage and guild industries. Labour, although thinned out, so to speak, is being more and more employed, and the great problem of to-day is how to get another million employed. The industrial problem, however, is not confined to this country; it is a world problem. The means of production are there, and the mouths willing to consume are there, but they adequately cannot be brought together. But they are being brought together far more now than they were. It is entirely fallacious to imagine that in your life-time the problem will be solved, because life is not a paradise dream. People get silly and blame what is called a system—that is, life. We have all got to face these things and to work out our destiny, and the less Governments have to do with us the better. Someone has remarked that the clothes of the office staff are an irritant to the other staff. I think that is childish. I have never owned a motor-car in my life; but I have never envied a fellow who has; I have never had a certain kind of clothes, but I never envied those who have. It is these ideas that we want to eradicate—silly ideas. Do not curse, or be envious of others who are better off as regards the property they possess. The office staff should not be the subject of envy, but if it is, dress it in corduroys, or put the other workers in black clothes and see how long it will last. (Laughter.) I agree with Mr. Straker that the more we can train skilled men the better, and the guild system was a very good one so long as the conditions permitted it. But the trouble about the industrial revolution was that it split the tasks up into so many more uninteresting ones than the composite ones which required the individual training. I am a great believer in apprenticeship whenever there is something really to be learned. One gentleman asked "What is the best system of profit-sharing?" Now, that is a nasty one. I cannot tell you what the best system is; there are innumerable systems. The one that attracts me most is not a system of pure profit-sharing; it is in operation in a firm in Kilmarnock, where the workers can, if they want to, invest their savings in debentures which are an absolute security over the whole of the property. They get 7½ per cent. before anybody gets anything. Then on the ordinary shares (which are not held by them), if a dividend of 10 per cent. is declared, the ordinary shareholders get that, but for every 2 per cent. after that the debenture holders get an additional 1 per cent. I have been told that this system has very much improved the production, because the men have an actual stake in the business. It is a form of creating a real interest, and the workers in this engineering shop have £40,000 invested in it. Attached to it there is a pension scheme, and the pensioners, if disabled or too ill to work, take their places in the queue each week along with the wage earners, so that the wage earners see what they will get when their time comes to be off the list. People who are Socialists are either just mere idealists who have no sense of reality, or people who have not enough property. If you give them enough, these ideas disappear. Most of us are acquisitive creatures. If you were all psycho-analysed you would find that most of your ideas are relative to yourselves. This idea of Socialism is untrue to actual fact, and it seems to me that the system of giving shares, or interesting workers financially in the property, is getting down to bedrock. Let us increase the amount of property, give shares in companies and guarantee dividends, as this engineering firm in Scotland does.

On the motion of Mr. SILVESTER, seconded by Mr. MORRIS, the Lecturer was heartily thanked for his interesting address, and a vote of thanks was accorded the Chairman for presiding.

Income Tax Assessments based on Current Legislation.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. W. F. EDWARDS,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. HEATHCOTE WILLIAMS.

Mr. EDWARDS said: I am going to try to give you to-night a brief outline of the basis of assessment of income tax, based on the law as it is to-day, and bearing in mind that this address is to students—we are all students, whether we have passed our examinations or not—I am going to refer to the bases as they are. I am not going to tell you, other than where it is necessary, whether they have been like that for six months or for six years.

Before I sail off into the sea of income tax and start to enumerate the bases of assessment, you want to appreciate first of all what it is, and to do that one goes to numerous text books. But I found when I was studying that the best thing to do, if possible, was to go to the Acts. I think that is a policy which pays in regard to the subject of income tax, as it does in any other subject. If you go to the Act, and run through it, I think you will get a perspective of the subject before studying the detail.

Now, first of all, we have the Act itself, which is split up into Parts which cover various matters like these: there are a few sections on income tax, a few sections on super tax, then a number of sections relating to exemptions; next you get special provisions—almost all obsolete—relating to the war, and then a considerable bulk relating to administration. Part VI relates to assessments, Part VII to appeals and Part VIII to collection. If you want to know anything about appeals, I recommend you to run through Part VII before you study anything else; it will prove more useful than many text books. After you have read the subject in the Act itself your study of the text book will pay you a better dividend.

Sec. 1 of the Income Tax Act says: "Where any Act enacts that income tax shall be charged for any year at any rate, the tax at that rate shall be charged for that year in respect of all property, profits or gains respectively described or comprised in the Schedules marked A, B, C, D and E contained in the First Schedule to this Act, and in accordance with the Rules respectively applicable to those Schedules." That tells us exactly where to go for guidance; we have to go to the First Schedule of the Act.

The First Schedule of the Act consists of the five Schedules mentioned, A to E, and covers 68 pages in the Stationery Office publication entitled "The Income Tax Acts," so there again there is plenty of food for thought. I think you will agree with me, if you have occasion to peruse it at a later date, that in itself it repays study. I am of opinion that some matters are there better set out than they are in text books. If you have not a great knowledge of the subject and run through the Rules without taking them too much to heart, then, when you have finished a preliminary survey of them, you will get at what the people who drafted the various sections which go to make up the Act were driving at.

The trouble is that laymen start off by hating the subject because they have to pay something. The student hates it because it is so involved. If you can find out what was in the other man's mind when he drafted the sections, it adds very much to a proper, clear understanding of the whole subject.

Now there are five Schedules, and one of them is split into six; the others are split slightly, but not so definitely. I am

just going to run through them briefly. I do not want you to memorise what I say because I will come back to them presently.

First of all, in broad outlines, income is taxable like this: If you live in this country—and when I say "this country" I mean Great Britain and Northern Ireland—if you live here you are taxable on any income you get from anywhere, and if you live anywhere else but in this country you are taxable on any income you get from this country. You may or may not agree, but, personally, I think that is fair. If you live here you have to pay tax on all your income from wherever you get it, and if you live somewhere else you have to pay tax to us on that part of your income that comes from this country. We will now consider each Schedule.

Schedule A is in respect of income arising from the ownership of property in this country.

Schedule B covers income arising from the occupation of property in this country.

Under Schedule C assessments are made, chiefly on the Bank of England, but also on others, in respect of moneys they receive from any public revenue for distribution to other people. The Revenue think that it is better to get the tax from the first party who receives the money, so that they say to the Bank of England and other bodies: "You have to distribute, say, £1,000,000; retain 4s. in the £ on that for us." If the persons to whom the money is distributed are not liable to suffer any or part of the amount so deducted, owing to their income being within certain limits, they may, of course, claim repayment.

Then comes Schedule D. This is the one on which most students concentrate their studies, but, while that is quite proper, I consider they should enlarge their view and take in the whole subject to start with and then concentrate on portions. Schedule D is divided into six Cases. Case I covers trades; Case II covers professions and vocations; they are so much alike in their scope and application that they have Rules which relate equally to both of them; Case III covers untaxed interest and other profits of uncertain annual value; Case IV covers income from foreign securities; Case V covers income from foreign possessions (it probably occurs to you, what is the difference between a security and a possession, and why differentiate between them? That does not matter, one has to take the Act as it stands); Case VI covers any profits or gains not otherwise mentioned in any Schedule. Then comes Schedule E, which is in respect of employments and anything derived from employments.

That covers the whole charge of income tax.

Now, the 68 pages I have mentioned cover and enumerate the Schedules and Cases that I have set out, and also the Rules applicable to them. Some of the Rules are specific to one Schedule, others are applicable to all. As an example, I have the book open here at Schedules A, B, C, D and E, General Rules. These Rules apply to income tax as a whole, and just to give you a passing example of the significance of a General as opposed to a Specific Rule, I will read the last one. General Rule 23: "A person who refuses to allow a deduction of tax authorised by this Act to be made out of any payment shall forfeit the sum of £50. Every agreement for payment of interest, rent, or other annual payment in full without allowing any such deduction shall be void." You can see the point of that. You all know that the very essence of our income tax system is that as far as possible, the tax should be collected at the source where the income arises. It would not be much use providing for that if the owner of the income could, by agreement, prevent the tax being recovered from him. Therefore that is a general rule which covers the whole structure—that an agreement to make any payment in full, without allowing deduction of tax, shall be void, though it should be noted that an agreement to pay such a rate of interest as amounts, after deduction of tax, to X per cent, is quite valid.

Let us now run back over the Schedules and take the bases of assessment. Schedule A covers income arising from the ownership of property. The basis of assessment is the annual value of the property. We will come to the definition of annual value later. Schedule B covers the income arising from the occupation of property and the basis of assessment is the assessable value; it is directed that the assessable value shall be the same amount as the annual value under Schedule A. Then we come to the basis for Schedule C, which is tax at standard rate on the amount for distribution by a bank or other person. They have to be assessed in respect of all payments out of public revenue which they distribute, and they pay the tax for and on behalf of those persons to whom the moneys are distributed.

Then we come to Schedule D. I think, generally speaking, you can take the whole six cases here and say that the basis is what one might term the "preceding year" basis. But that is more easily said than applied. We all appreciate that traders do not make their annual accounts up to April 5th. It is just as well for accountants they do not. You have therefore to introduce machinery into Cases I and II to define what the preceding year is, or, alternatively, to make it rather movable.

Then we get Case III which covers untaxed interest and other profits of uncertain annual value. Well, broadly speaking, the basis is the preceding year. The first year the income arises it will almost certainly cover only a portion of the fiscal year, so the assessment is on the actual income of the fiscal year. In the first complete year—that means the first complete fiscal year (from April 6th to April 5th in the following year)—it is also on the actual income of that year. In the second complete fiscal year the amount of the assessment is the income received in the preceding fiscal year, and the taxpayer has the option, if his income in that second year is less, to have the assessment reduced. Thereafter the preceding year basis applies until the income ceases, when further special provisions apply.

Cases IV and V are on the same basis as Case III, but you have to be rather careful. In certain circumstances income assessable under Cases IV or V is taxable, not on the whole of it, but only on portions brought or remitted to this country.

Case VI—the omnibus Schedule—is the one under which any income not mentioned anywhere else is taxed, i.e., taxed on such a basis as the Commissioners shall direct, always provided that the average taken shall not be more than one year.

Schedule E, for 1927-28, is on the basis of the income of that year. One has to pay tax on the emoluments of the year, and if for any reason the assessment is not so made there is always the right to have it amended. Commencing in 1928-29, the basis is altered to that of the preceding year, like the Cases of Schedule D we have mentioned.

Well, that gives a general outline of what we are driving at. We will now go back and look at the subject in a little more detail.

There are three numbers in Schedule A. The first covers lands and buildings of whatever nature, except those mentioned in the other two numbers. The items referred to in the second number of Schedule A relate to income which arises in connection with the church; it is of very little importance. The whole of the items comprised in the second number of Schedule A have been transferred and are now part of Case III of Schedule D, that is, untaxed interest and profits of uncertain value, so we can slip over that.

The third number of Schedule A has been transferred to Case I of Schedule D. This relates to mines, quarries and other similar undertakings. They are now treated as ordinary trades, as in Case I, with the proviso that one or two Rules in No. 3 still apply to these concerns, in spite of their being assessed under Case I of Schedule D.

In Schedule A the basis of assessment is the annual value. That is all very well, but the thing is, what is annual value? I might mention that, under Schedule A, valuations are usually made quinquennially, and having been made they usually stay until another valuation.

The annual value of property is the rack rent. Possibly that does not take you very much further; it took me a long while to understand what rack rent meant. It is the highest commercial rent for a property. Briefly, the annual value is the market value at which a place is worth to be let. If a property has been leased within a period of seven years in a proper businesslike way, then the rent mentioned in the lease becomes automatically, in a year of re-valuation, the annual value for the purposes of Schedule A, unless there is some peculiar reservation, such as the tenant doing repairs. It is assumed in fixing the annual value that the landlord is liable for repairs and the tenant for rates and other such charges, so that assuming that the landlord pays for repairs and the tenant pays rates, &c., the rent actually paid becomes the annual value under Schedule A.

Other than in a year of re-valuation the assessment does not alter unless structural alterations take place in the property. If you have your shop front pulled down, the Revenue come along and say "You have altered this place, spent money on it, made it worth more, and the annual value has gone up, so we are going to make an additional assessment." Then you sometimes get a case where the annual value of the property is £60, but it is let for £50. If you can bring evidence to show that there is some reason why the property has declined in value—it may possibly be something peculiar to the immediate vicinity of the property—you may get it reduced, but it is not usual.

There is one very important exception, viz., that this does not apply to London. By the Valuation (Metropolis) Act, 1869, London is outside of this procedure for ascertaining annual value. In the County of London the Revenue and the taxpayer are bound by the rating assessments.

We will leave Schedule A there, though I might say in passing that No. IV of Schedule A gives you Rules for ascertaining annual value; No. V sets out deductions allowed; Nos. VI to IX enumerate further allowances and generally cover everything in reason which you may require for guidance under Schedule A.

We will now pass on to Schedule B. It is rather a peculiar basis of assessment. The major portion of income arising from the occupation of property is from farming, and for some reason it is assumed that a farmer cannot keep books. So they say "Very well; we will assume that your profits from carrying on the farm are equal to the rent you pay." There may be some foundation for this basis in economics, but personally I cannot see it. During the war it was, I believe, three times, and later it was twice the annual value under Schedule A. Then the farmers said they were having a bad time, so the assessment under Schedule B was fixed at the same amount as the annual value of the land under Schedule A.

If a farmer pays a rent of £200 a year for a farm, and that rent is also the gross Schedule A value, his Schedule B assessment is automatically £200; that is to say, he is assumed to make profits equal to £200. Now the farmer is in this favourable position: if he makes in that particular case £1,000, nobody wants tax on the rest; at least they may want it but they cannot get it. He is immune from taxation in respect of the excess. But if he makes £100, it is then assumed that he has enough intelligence to find it out and, at the end of the year, to say "I have kept books after all and I find I have only made £100, so please reduce my assessment"—and they will do so. Thus, though in the usual way he is assumed to be incapable of keeping accounts,

if in any year his profits fall below the amount of his assessment he is permitted to submit an account of his actual profits, and have the assessment reduced accordingly.

The farmer has another option, which we will mention now, though we shall be coming to it later, and that is he can elect, for any year of assessment, to be assessed under Schedule D; but if he does that he must give notice within two months from the commencement of the year—that is, by June 5th. So that, apparently, he is taking a leap in the dark.

Now there is another type of business connected with lands, i.e., woodlands. They are assessed under Schedule B. An owner of woodlands may also elect to be assessed under Schedule D instead of B. If he does so, however, he has to stick to it; he cannot change about. The farmer can change each year, subject to one or two penalties, but the owner of woodlands who elects to be assessed under Schedule D must stick to Schedule D while he owns that property.

There is one other case, i.e., nurseries—nurseries and, I believe, market gardens other than for the growth of hops. They are assessed under Schedule B, but according to the rules of Schedule D, so that, in plain language, it means that they are charged under Schedule B as a matter of machinery, but on the basis of D—i.e., on the profits they make.

There is one other point in passing; it is in regard to a dealer in cattle or a seller of milk. If it can be proved that a dealer in cattle or a dealer in or a seller of milk has more cattle on the land than the land will naturally and properly support, then the rule is that whatever profits he makes over his Schedule B assessment have to come in under what is known as Rule 4 of Case III of Schedule D.

We now come to Schedule C. The Bank of England disburses the greater portion of the interest payable out of public revenue, and has to prepare lists and have assessed on it the whole of the tax on such interest. A statement is rendered to the Special Commissioners, and the tax is duly paid into the account of the Commissioners of Inland Revenue. If you are the fortunate holder of stock, interest on which is disbursed by the Bank of England, you get a voucher to show that tax has been deducted. Other persons, such as paying agents for a foreign railway, are under the same liability. In short, the first person in this country who handles money for distribution to the public generally must deduct 4s. in the £ (that being the standard rate this year) and advise the Revenue of the retention of that amount as tax.

We now come to Schedule D, which, as I said before, is the most important Schedule. Cases I and II we will take together. I said the basis was the "preceding year." Well, briefly, it is this: (We are assuming that a man does not start business on April 6th.) In the first year, or first part of the fiscal year—that is, from the date he starts to April 5th following—the assessment is on actual profits, i.e., a due proportion of the profit shown by his first accounts. We will next assume that he makes up his accounts twelve months after he starts business. That being so, the profit shown for those twelve months is the basis of assessment for the first complete fiscal year. Thus, a man starts business on January 1st, 1928, and makes his accounts up to December 31st, 1928. His assessment from January 1st to April 5th, 1928, will be, roughly, a quarter of his accounts for the calendar year. His assessment for the year 1928-29 (that is up to April 5th, 1929) will be on the profits shown by his accounts for the calendar year 1928. So that if he shows £1,000 profit, we chop off £250 for the first three months of his business, i.e., the last three months of the fiscal year 1927-28. Then we lift the £1,000 on to the next fiscal year as the measure of his profits for 1928-29.

You will notice the first account ends in the fiscal year. I will repeat the dates again. The account ends at December

31st, 1928. It is the man's account for the first twelve months, and it is the basis of assessment for the fiscal year to April 5th, 1929. The basis ought to be the preceding year, but the man has not got one, so we have to take the only account available. In the year 1929-30 (starting on April 6th, 1929, and ending on April 5th, 1930) the basis is the preceding accounting year, i.e., in this example still the account for the year 1928. If the man continues in business for several years, the preceding accounting year is taken as the basis of assessment of his profits for the current fiscal year, but if he closes down his business we will assume he does not oblige the Revenue by closing down on April 5th. In such a case the basis of his assessment from April 6th until the date he closes down is actual profits, i.e., a due proportion of the profit shown by his last accounts. Thus, the first piece of a fiscal year, when he started, was actual profits; the last piece of a fiscal year, when he finishes, is actual profits; and in between it is the preceding business year, subject to a little manipulation.

Now we get one relief and one penalty. In the first complete fiscal year the taxpayer has the right to have his assessment "pushed down" or reduced to actual profits if the latter are lower. The man started, say, in January, 1928, and made up his accounts to December 31st, 1928. That year's profit will be the basis of assessment, as it is the only account we have, for the fiscal year 1928-29. We will assume that in the calendar year 1929 he makes no profit, although he made £1,000 in the calendar year 1928. On the basis of apportionment, in the fiscal year 1928-29 he actually made £750 in the first nine months, and in the first quarter of the calendar year 1929 he makes nothing. He can claim to have the 1928-29 assessment of £1,000 reduced to his actual profits of £750. That is very kind of the Revenue. But when it comes to the last complete fiscal year, the Revenue have the same privilege. They can have the assessment "pushed up" if the profits are more. It is rather a bald way of putting it, but that is what it amounts to.

What about losses? Unfortunately, in business one does not make profits every year. Losses are dealt with briefly like this: If you make £1,000 this year your assessment for the next fiscal year will be £1,000. If you lose £1,000 this year, there is not very much doubt but what your assessment for the next fiscal year will be "nil." The point is, what are we going to do with the £1,000 lost? Well, we can carry it forward against future profits, and if in the next year we make £2,000 profit, then the following fiscal year's assessment is that £2,000 less the loss in respect of which it is assumed for the moment we have had no relief. So, if you let the whole thing look after itself, in the fiscal year following the loss you will have no assessment and in the following fiscal year your assessment will be on profits less losses.

That is all very well, but when a man makes a loss he is generally hard up. It is not much use to tell him "Never mind, you will get relief next year," because you will appreciate that in the year in which the man makes a loss he has probably got a substantial assessment based on his profits of last year. Assume a man has made up his accounts to March 31st, 1928, showing £1,000 profit, and also assume that in the year to March 31st, 1929, he makes a loss of £1,000. In that case, instead of carrying forward the loss, he can get immediate relief in 1928-29 under sect. 34 of the Income Tax Act, 1918, which really means that instead of setting the loss against future profits he can cut it off the assessment for the current year and obtain repayment of all tax paid thereon. If you work it out quietly, you will find the result is precisely the same so long as the rate of tax does not vary.

Case III is war loan and other interest, but in saying that I do not want you to take a narrow view of it. The

scope of the Case is rather wider than war loan and bank interest, but that is what is principally brought within its purview. In all these examples we assume you do not commence to receive the income until after April 6th. In that case the assessment for the portion of a fiscal year is on actual income, the first complete fiscal year is also on actual income, the second complete fiscal year is assessed on the first year's income—or, as I said just now, you can have it "pushed down." Let us go over that again. The first portion of a fiscal year is actual, the first complete fiscal year is actual, the second complete fiscal year is based on the first, or, if the second is less than the first, you can have the second "pushed down."

When you cease to hold the source of income, or of interest, or whatever it is, the position is the same as under Cases I and II. The last portion of a year is actual, and if you received more in the last complete fiscal year than you were assessed on, then the Revenue will "push" that assessment up. Thus Case III is the same in its closing stages as Cases I and II, but is slightly different in its opening stages. The same remarks apply to Cases IV and V. But before passing from Case III one must bear in mind that if you have an alteration in the source of the income—supposing you have a new source—that new source is treated separately. We will take a concrete example. If you have, and have had for some years, £10,000 of War Loan, your interest is £500 per annum, and you will go merrily along assessed on £500 each year. But then assume you sell half of it. Well, in the year in which you sell half of it you can claim to have the assessment adjusted as if you had been running two businesses of £500 War Loan each and one had continued and the other had ceased, while if you buy War Loan, the additional holding will be treated separately. In the first year in which it is held you will be assessed on actual; in the first complete fiscal year in which you hold the extra amount you will be assessed on actual, and in the second complete fiscal year on the previous year, unless you can get it "pushed down" as we said before.

I am glancing over Cases IV and V because time is short and they are not very important to students; I mean they are not met with in practice quite as much as Cases I, II and III.

Now we come to Case VI. The basis is "As the Commissioners shall direct," and, generally speaking, I think you can take it as being on the actual profits for the year. You will perhaps say, "What is assessable under Case VI?" Well, that is a thorny problem and worthy of an evening to itself. But, as an example—it is quite a shot in the dark—there was a case of an underwriting fee being assessable. A man had one underwriting commission, and it was held to be assessable. I do not know, but I should say that that came under Case VI, because he could hardly be said to be carrying on the business of underwriting stocks and shares, but he certainly had engaged in something which had yielded him profits. Profits from the letting of a furnished house is another example, and provision is made for entering any such profits in the form for a Return of Incomes under Schedule D.*

Coming now to Schedule E, the basis in 1927-28 and previous years, as I said before, is the actual income of the year and it is usually assessed, or particulars are rendered to the Revenue, some time before the end of the year, and it is assessed before the end of the year; if you get a reduction in your emoluments you can claim to have the assessment reduced; if you get an increase and wait two or three years you will probably get an additional assessment.

Well, in 1928-29 that basis ceases. From April 6th, 1928, Schedule E will be assessed on the basis of the emoluments in the preceding year. But there is always hardship when you change from one basis to another, so it is provided that, if you so desire, you may be assessed for 1928-29 on the actual income of that year, provided you give notice by June, 1929. But, if you do, you must be assessed in 1929-30 on the actual income of that year.

In Schedule E you are allowed to have deducted from emoluments any expenses necessarily incurred in earning those emoluments. The expenses allowable are, from 1928-29, to be deducted from the income to which they relate. What it really means is that in any fiscal year you will be assessable on the previous year's net income. Thus, if last year you received £1,000 and it cost you £300 to earn it, then your assessment this year is £700. It does not matter two pence what your income or your expenses are this year. It is last year's net income that forms the basis for this year. The opening and closing years of holding any given office or employment are assessed in the same manner as income under Schedule D, Case III.

Now I am going to run over one or two cases which may throw some light on the bases of assessment. I shall not bother you with the names.

There was one case where a place was let on a lease of fourteen years for a premium of £200 and a rental of £30 a year. It was held that the way to arrive at the annual value was to take the £30 rent (there could be no doubt about that), 5 per cent. on the premium (to cover loss of interest), and one-fourteenth of the premium. Those amounts, together with an adjustment for repairs, gave an amount of £68, which was held to be the proper gross annual value.

In saying "gross annual value" I am reminded that I did not specially mention repairs. From the gross assessment under Schedule A is allowed a deduction for repairs, which varies from one-fourth to slightly over one-sixth, according to the amount of assessment. But, incidentally, that scale only operates until April 5th, 1928, when it will have either to be continued or amended in this year's Finance Act.*

I said the provisions in Schedule A as to the ascertainment of annual value do not apply to London. There is a case on that. A man bought some premises in Baker Street, and redecorated and altered them slightly and leased them to the Postmaster-General as a Post Office for a rent of £1,000 a year. They had been rated previously at about £200 or £300. It appears that in the case of Crown premises the Government are not rated, but pay a contribution in lieu of rates. This was agreed at £192. The Revenue took the case to Court, as being outside the rating and therefore also the Schedule A provisions, and wanted to assess the property at £1,000, but the Judge held that they could not do so, as the place came within the Valuation (Metropolis) Act, 1869.

Williams v. Saunders is another interesting case. In the case of weekly tenancies it is usual to take the rent and say that 52 times the weekly rent does not represent what it is worth to be let at per annum, because more is charged per week, *pro rata*, than per annum. The Commissioners in that case made a deduction for contingencies of one-twenty-sixth of the total annual rent. (Really it was to cover bad debts and expenses of collection.) The case went to Court, and the Judge said that their job was to find the rack rental of the property, and he sent the case back for them to do that. They had made up a profit and loss account, but that was not their job at all.

Now about accounts. It is definitely established that accounts can be reopened. Naturally, one does not reopen them if it is found that *3s. 4½d.* has been wrongly analysed.

* It will now be observed that the Return Forms for 1928-29 also provide space for a Return of Underwriting Commissions, though it should be noted that it is the wording of the Acts that counts, not the manner in which the Forms are drafted.

* The Finance Bill, 1928, provides for the continuance of the same scale of allowances until April 5th, 1928.

but accounts can be reopened for taxation purposes. Most of the cases covering the point have related to excess profits duty and income tax together. There was one case which arose like this. The Food Controller said that a company was to pay him a surcharge of 2d. a gallon for milk. The company said he had no legal power to demand the 2d. In making up their accounts, however, they made provision for it but took the matter to law. Four years afterwards the Courts said the company was right. But in the meantime the company had paid, because the Government had owed them something and made a contra of it. Anyhow, the company received the amount back. It had been allowed to them as an expense, as an addition to the purchase price in 1921. When it came back in 1924, the Judge said that the accounts of 1921 had to be reopened, and the debit which had been allowed in 1921 had to be deleted, and the accounts re-computed as though it had not appeared. That is to say, they had been allowed something that was not a proper charge.

I have not referred to partnerships because it is a very difficult subject and one in which there are many "snags," but I would like to say this: that it is essential, in considering the position of a partnership and an assessment, that you consider not what you would like to, but what is. What I mean is this: there was a case where two or three partners said to one of their number, "Look here, Smith, you clear out and let Jones come in"—that was in November—"and we will date it from last April." Smith said he would go out, and Jones said he would come in; they drew up agreements which were all dated the previous April. But the Judge said they had to go by the facts—they could not go by the agreements; the first man had worked in the office up to November and therefore he was a partner up to that date.

There was another case where a father drew up a deed of partnership with two sons. Everything was legally quite in order. But having done that, he put the deed in a drawer and went on in the old way, signing all cheques himself and giving his sons what sums he thought he would give them. When it came to assessing the profits, he said there was a partnership. But somehow the Inspector of Taxes got the idea that he was the ruling spirit, and said: "There is no partnership; you are running the business, and that fact must over-ride the agreement."

Time prevents me from saying anything more, but I trust that the remarks I have conveyed to you this evening will cause you to depart from this room feeling that income tax may be a difficult, but is an interesting, subject, and if I have done that I shall feel amply rewarded.

Discussion.

Mr. AUERBACH: The Lecturer has dealt with the subject very lucidly and gone into it thoroughly. There are just one or two points I should like cleared up. In the case of a farmer electing to be assessed under Schedule D, is the basis of assessment the profit arising in the actual year of assessment?

Mr. EDWARDS: No. The basis is the profit of the previous year. A farmer getting to the end of the year and finding he has made a profit more than his assessment, then if he has not given notice under Schedule D, is automatically under Schedule B. If he has made more profit he is quite happy. If he has made a loss and has other income—he might, for instance, have interest on stocks or dividends from companies—he can make a sect. 34 claim and set off against the taxed income the loss on farming. But if he has no other income he is rather in the air. By June 5th following he can claim to be assessed under Schedule D for the year following his loss, and in that following year he will "kick off" with a "nil" assessment and carry forward the loss, whatever it amounted to, to subsequent years. But there is this important proviso: He must give notice of his election to be assessed under Schedule D by June 5th in each fiscal year. If, through failure or intentional omission to give such notice, he reverts

to Schedule B, any previous loss unrelieved "goes west"; he cannot carry it forward against Schedule B assessments.

Mr. AUERBACH: With reference to Schedule E, 1928-29, is there any remedy if a person's actual income is lower than the assessment during the year of assessment?

Mr. EDWARDS: The basis is similar to that under Case III of Schedule D. The position in 1928-29 is this: He will be automatically assessed on his 1927-28 income. If his actual income for 1928-29 is less than it was for 1927-28 his 1928-29 assessment will then be higher than his income. We will assume that he got in 1927-28 £500; his 1928-29 assessment would be £500, but if he only received £400 in 1928-29 he would, in the ordinary way, get no relief, though, as a transitional relief, he can be assessed on actual in 1928-29, but, if so, he must be assessed in 1929-30 on actual. Thereafter, subject to the continuance of the employment, the preceding year basis applies with no relief for variations in the income.

Mr. AUERBACH: What happens when the employment ceases?

Mr. EDWARDS: The portion of the last fiscal year is on actual and the Revenue can "push up" the assessment of the last complete fiscal year. If the income ceases absolutely, it must cease at a certain period of the fiscal year, and that portion of the year will be reduced to actual.

A STUDENT: There is just one point I would like to make. With regard to a farm—I understood you to say that the Schedule B assessment would be the "annual value under Schedule A, but if the rent is by any chance lower than Schedule A then it is on the rent."

Mr. EDWARDS: No. Schedule A is based on the rent in a re-valuation year. All sorts of things may happen in the interval; the rent may go up or down. Assuming that it is based on the rent in a re-valuation year, then, no matter whether the rent goes up or down, the Schedule B assessment follows the gross Schedule A assessment.

The STUDENT: In the case of rents—it is understood that Schedule A is based on the rent, but if the rent is reduced in any year, cannot you get Schedule A assessment reduced?

Mr. EDWARDS: It depends on the purpose for which it is reduced.

The STUDENT: People will not take the place unless the rent is reduced.

Mr. EDWARDS: If the net Schedule A assessment on a property is £60 and you let it for £50, you, as landlord, only suffer tax on £50. The tenant has not power to recover more than the standard rate of tax on the rent. If a tenant is in occupation of property assessed at £60 per annum net annual value, and he is only paying £50—well, either the assessment is too high and someone should appeal, or the tenant was keen when he negotiated the lease, and he has to pay the tax on the £10 himself. He is assumed to be the "beneficial owner" of the excess value over the rent.

Mr. AUERBACH: Is there any question of re-claiming in a case where it is subsequently found a man is not taxable?

Mr. EDWARDS: Yes, that is a point which students must grasp. It does not matter what schedule you are under, or where you get your income from. If I have been taxed and, by adding all my income together, from whatever it has been derived, and after taking off the appropriate allowances—if I ought to pay less, computing it in bulk, than I have paid, the difference can be re-claimed. The method of assessing at source does not impose liability; it is only machinery for collecting. If a widow has two houses the net annual value and rental of which is £60 each—assume the houses are in Birmingham and she in London—she will not get £120 rent from those two houses; she will get £96, being the rent of each house less tax at 4s. If she writes to the Inspector and says "my income is only £120, and I have suffered £24 by deduction of tax, kindly repay it"—then, after signing a few forms, she will get her £24.

Mr. BANCROFT: In regard to a company in this country receiving a mechanical copyright fee from America, from which federal tax has been deducted, and then a portion of that copyright fee has to be handed back to America, have we the right to deduct English tax on what is paid back?

Mr. EDWARDS: I should say that the gross amount that comes from America is income under Case V in the hands of

the man here. It is income from a foreign possession. If he has to pay some of it back, he can deduct tax at standard rate. If he gets £100 from America and pays £20 back, he will have to account to the Revenue for tax on £100, but will have retained tax on £20, thus bearing tax on £80.

Mr. W. G. STRACHAN: Following on the last speaker's question—where a bank in New York, for example, has a charge on shares, as security for a loan, and also has the custody of the shares and gets the dividends, from which the interest on the loan is deducted, but the person entitled to the money is in this country—what is the position?

Mr. EDWARDS: I should say it is assessable under Case V on the amount which arises in New York, and you would be permitted to make the deduction of bank interest.

Mr. STRACHAN: I understood that the legal position was that they were taxable on the same basis, but you had to treat them separately. There was no opportunity in this case to deduct English tax from the interest.

Mr. EDWARDS: Our Chairman has just told me that he rather agrees with you and not with me.

Mr. EZRA: For the purposes of a repairs claim, do the Revenue require you to disclose rents that are received in respect of properties, or is it sufficient to insert in the form provided the gross annual value?

Mr. EDWARDS: There are "snags" in all these things. If you let a place at a rental which is more than the gross assessment, you must deduct a repairs allowance appropriate to the rental—then, if the net figure is higher than the gross assessment you get no repairs allowance, that is to say, the gross Schedule A value becomes the net Schedule A value and tax is levied on the full amount of the assessment.

On the motion of Mr. W. G. STRACHAN, a cordial vote of thanks was passed to Mr. Edwards for his lecture, and a similar vote of thanks to the Chairman closed the proceedings.

Changes and Removals.

Mr. Walter Anderson, Incorporated Accountant, has commenced practice at 81, Dale Street, Liverpool. The firm will be carried on under the style of W. Anderson & Co.

Messrs. E. Blinkhorn, Lyon & Co., Incorporated Accountants, Bank Chambers, 69, Leadenhall Street, London, E.C., have admitted into partnership Mr. H. F. Thompson, Incorporated Accountant.

Mr. J. King Farlow, Incorporated Accountant, has commenced public practice at Danes Inn House, 265, Strand, London, W.C.

Messrs. Eric C. Finlason & Co., Incorporated Accountants, have removed to 31, Great James Street, Bedford Row, London, W.C.

The partnership hitherto subsisting between Mr. Henry McLellan, Incorporated Accountant, and Mr. Edward McLellan, Incorporated Accountant, under the style of John McLellan and Sons, at Finsbury Pavement House, 120, Moorgate, London, E.C., has been dissolved by mutual consent. The practice will be carried on by Mr. W. E. Fitzhugh, Incorporated Accountant, and Mr. F. R. Tillett under the same name as hitherto.

Messrs. Martin, Farlow & Co., Incorporated Accountants, 50, Gresham Street, London, E.C., have admitted into partnership Mr. George Drowley, Incorporated Accountant.

Mr. John Nicholson, Incorporated Accountant, announces that he has removed to 185, High Street, Lincoln.

Messrs. Pawley & Malyon, Incorporated Accountants, have removed to Finsbury Court, Finsbury Pavement, London, E.C.

Mr. F. F. Sharles, Incorporated Accountant, Salisbury House, London Wall, London, E.C., announces that his Paris office has been removed from 126, Rue de Provence to 24, Rue Caumartin, 2e.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

MAY, 1928.

Final.

Alphabetical Order.

DAWE, REGINALD ARTHUR, Clerk to E. R. Syfret (E. R. Syfret & Co.), Corner of Wale and Burg Streets, Cape Town.

LELOYD, EDGAR LLEWELLYN, Clerk to Douglas, Low & Co., Consolidated Gold Fields Buildings, Corner of Simmonds and Fox Streets, Johannesburg.

SMITH, LIONEL GORDON, Clerk to Whiteley Brothers, 31/39, Meischke's Buildings, Harrison Street, Johannesburg.

TAYLER, NORMAN JAMES, Clerk to B. Halsey (Halsey & George), Leuchars Buildings, Smith Street, Durban.

WHITEHOUSE, JAMES BALLANTYNE, Clerk to Charles Hewitt (Chas. Hewitt & Coutts), 55/60, Sauers Building, Loveday Street, Johannesburg.

WHITTAKER, ARTHUR, Secretary to Wilson & Meyerton, Limited, P.O. Meyerton, Transvaal; formerly Clerk to W. E. Goldby, Goldby, Panchaud & Webber, The Bank House, Main Street, Johannesburg.

(9 Candidates failed to satisfy the Examiners.)

Intermediate.

Alphabetical Order.

ANDERSON, LEO KING, Clerk to A. D. Hodgson (Douglas, Low & Co.), Consolidated Gold Fields Buildings, Corner of Simmonds and Fox Streets, Johannesburg.

ARCHIBALD, NEILSON CHAPMAN, Clerk to Douglas, Low & Co., Consolidated Gold Fields Buildings, Corner of Simmonds and Fox Streets, Johannesburg.

BETTY, REGINALD GATH, Clerk to R. Cade (Leith, Freake & Cade), 69, Maitland Street, Bloemfontein.

HOUSTON, ERROL CHAPMAN, Clerk to P. M. George (Halsey & George), Leuchars Buildings, Smith Street, Durban.

JACKSON, CLIFFORD CAULTON, Clerk to Harold Maude (Maude & Rodd), General Mining Building, Main Street, Johannesburg.

JONES, BASIL SANDERS, Clerk to B. Halsey (Halsey & George), Leuchars Buildings, Smith Street, Durban.

KEY, BRANSBY ASTON, Clerk to V. L. Andersson, 30, North British Building, Commissioner Street, Johannesburg.

MARTIN, WILFRED LATIMER, Clerk to E. S. Crosoer (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

PEARSE, WALTER ERIC, Clerk to J. D. M. Philip (Dougall, Lance & Hewitt), Pretoria Building Society Chambers, Pretorius Street, Pretoria.

RUSH, ERIC DAVID BELLEV, Clerk to Arthur Hewitt (Dougall, Lance & Hewitt), Pretoria Building Society Chambers, Pretorius Street, Pretoria.

WIGG, CYRIL CHARLES, Clerk to E. C. Pulbrook (Pulbrook & Wright), Manica Chambers, Salisbury, Rhodesia.

(7 Candidates failed to satisfy the Examiners.)

Preliminary.

Alphabetical Order.

CARPENTER, DOUGLAS NOEL, P.O. Box 148, Johannesburg.

HEWITT, PATRICK CHARLES, 9, Observatory Avenue, Observatory, Johannesburg.

TROLLIP, IVON WILLIAM RAYNES, 23, Sprinz Avenue, Village Main, Johannesburg.

TURNER, ALEXANDER RONALD, 66, Lock Avenue, Parktown West, Johannesburg.

(1 Candidate failed to satisfy the Examiners.)

Institute of Municipal Treasurers and Accountants

(INCORPORATED).

PRESIDENTIAL ADDRESS

By Mr. W. ALLISON DAVIES, O.B.E., F.S.A.A.,

Borough Treasurer of Preston.

In discharging the duty which tradition imposes upon me as your President of delivering an address, I do not propose to review in any great detail the work of the Institute during the past twelve months, as its activities are fully dealt with in the report of the Council, but there are one or two matters to which I would refer before proceeding to the main theme of my observations.

MEMBERSHIP.

Continued progress is shown in the number who have qualified for admission as Associates by passing the Final examination, and it is satisfactory to note the ever-growing number of those, who, having surmounted the difficulties of the Intermediate examination, have sought recognition as students of the Institute. Owing to the conditions as to service which the Articles of Association prescribe in the case of those who seek election as Fellows, no material addition to the numerical strength of that class can be looked for. The number of potential members possessing the necessary service qualification is severely restricted, as the chief financial officers of practically all the important municipal authorities in the country are now included in the membership roll. It is, however, gratifying to note the keen desire manifested amongst the junior members of the staffs of the finance departments to be identified with the professional organisation whose diploma is now recognised by local authorities as entitling the holder to be regarded as possessing the necessary technical knowledge to enable him to undertake the responsibilities attaching to the office of treasurer and accountant.

EXAMINATIONS.

To realise how essential it is that those to whom these duties are entrusted should be adequately trained to answer in a fully capable and efficient manner the many calls now made upon them we have only to think of the complexity of the modern municipal machine, and the diversity of the businesses and services which are controlled by the local governing bodies of to-day. The Council of the Institute are fully alive to the need for securing men of ability and competence to discharge these important and constantly increasing responsibilities, and, with a view to ensuring these qualities, the examination syllabus is from time to time revised so that prominence may be given to those subjects concerning which it is essential that a financial officer should have a thorough knowledge.

An outstanding feature of the report dealing with examinations is the alteration made in the arrangements for the final examinations which takes effect in January next. Whilst extending the scope of the examination so as to bring it more into line with present-day requirements, the Council are wishful that candidates should attain a higher standard of efficiency without imposing such a strain upon them as would be involved were they required to take all the subjects in one year. The regulation providing that the final

examination may be taken in two parts is in consonance with the practice of many other professional societies.

The abnormally small percentage of those who last January succeeded in satisfying the examiners, particularly in the final examination, has caused the Council considerable anxiety. Steps have been taken with the object of bringing prominently to the notice of candidates the marked tendency, which was apparent in the several papers, to submit replies which bore evident traces of the views of coaches, whereas the examiners desired an expression of the candidates' individual opinions. It is hoped that this defect will be remedied in future years.

It has been my privilege, within the past few months, to visit all the Branches of the Institute and, with one exception, to be present at their ordinary business sessions. The more one sees of the work of the Branches the more convinced does one become of the helpful and almost indispensable character of this part of the Institute's activities, and it behoves every member to secure the full benefit of the opportunities which the sectional meetings offer for the dissemination of information which is eminently practical and of the greatest assistance in the discharge of our daily duties. I would like here to extend to our Scottish members congratulations on the attainment of their majority as a Branch, an event which was celebrated in an appropriate manner in October last. Some of the problems attaching to Scottish finance are so essentially local in their character that one wonders how those north of the Tweed would fare were the Branch facilities not available to them.

Speaking from personal observation of the work of all but one of the Students' Societies, I would say that the enthusiasm with which they are carried on augurs well for the future of the parent body. It is fitting that a tribute should be paid to the self-sacrificing efforts of the seniors who, having themselves experienced the benefits accruing from membership of a Students' Society, are willing to give of their time to assist those who are on the threshold of their professional careers. The scope of the Societies is continually extending, sections from time to time being started in various parts of the country. The inaugural meeting of the East Anglian Society took place last October, and it is pleasing to learn that the Section has made good progress during the winter months.

The expense of travelling to the places of meeting presses somewhat heavily upon the younger members of the staffs, but this burden is to some extent mitigated by the establishment of sections in convenient centres. The general adoption of this policy cannot be too strongly advocated, especially in those areas where beneficial results may be reasonably anticipated. In many cases, where Finance Committees so far appreciate the benefits to be derived by their staffs from attendance at the meetings of the Societies, the financial difficulty is removed by the Committees paying the cost of travel incurred by those who avail themselves of these educational facilities.

LOCAL TAXATION.

The onerous duties placed upon Rating Authorities by the Rating and Valuation Act of 1925, in connection with the re-valuation of all hereditaments throughout the length and breadth of the land, have kept the staffs of our respective departments more than fully occupied during recent months, and the coming months promise to be even more strenuous than those that have gone by. At an early stage of our deliberations an opportunity will be afforded for the discussion of the important developments adumbrated in the recent

Budget Speech of the Chancellor of the Exchequer. The questions to be considered are of paramount importance to every local authority, embracing, as they do, the old and thorny problem of the relationship between national and local finance, for which a solution has been sought for a generation, and the creation for administrative purposes of wider areas with the object of securing a fairer incidence of the cost of certain local government services, more particularly Poor Law and Highways.

The more equitable apportionment of the cost of semi-national expenditure has been the principal topic discussed in many Presidential Addresses, as well as the subject of numerous conferences and debates. But the supreme moment is still ahead of us; a moment, we hope, when a settlement will be arrived at which will be satisfactory to all parties concerned, which will witness the placing on a sound basis of the finances of national and semi-national services administered locally, and which will terminate once and for all the arguments which have for so long been troubling those responsible for the financial arrangements of local authorities.

The effect of the cost of local administration upon productive industry, which is faced with the severe competition of more recently industrialised countries, has been receiving more and more attention at the hands of the business community and few speeches of the chairmen of manufacturing companies, delivered at their Annual Meetings, fail to make special reference to the oppressive cost of the local rates.

Statements are from time to time made as to the amount paid in respect of rates by large commercial undertakings, but though the amount may assume somewhat alarming proportions when quoted as an isolated figure, it should be contrasted with the levy made prior to the War before it can be said whether or not there has been an excessive increase in the charge for local services when compared with the general increased standard of post-war costs. Or, again, when present day manufacturing unit costs are contrasted with those applicable to the pre-war period, has a proper allowance been made for any decrease in output and any other relevant factor which may have automatically raised the unit charge, quite apart from any increase there may have been in the amount of the overhead charges?

A large part of the responsibility for the increases which have taken place appears in some quarters to be attributed to the extravagance or the incompetence of the local authorities, but I venture to submit that in the main such views are incorrect, and are not fair to the members of local governing bodies.

Local authorities are carrying on their operations under statutory obligations, or in accordance with decisions promulgated by the State Departments, and in many instances a specified standard of efficiency is demanded before an Authority is entitled to participate in the distribution of the State subventions. If an analysis be made of the aggregate net expenditure of all authorities it will be found that considerably more than one-half relates to services of a national or semi-national character, in the administration of which the authorities exercise but a minor degree of control. Of the remainder of the rate-aided services over 30 per cent. of the annual cost is earmarked for the payment of interest and the repayment of loan debt. It may therefore be said that the authorities are not in a position to exercise an effective control on more than one-third of their annual outlay. The latest instance of the manner in which local expenses are raised will be found in the Valuation (Apportionment) Bill, which will, if it becomes law in its present form,

involve the Rating Authorities in considerable expenditure without any assistance from National funds. The Bill provides for the payment of the temporary staff which will be required by the revenue officers, but it is silent regarding the cost imposed on the Rating Authorities.

Since the War there has been a marked advance in the standard of living and a greater demand for the amenities of life and shorter working hours. The result of the efforts put forward to satisfy popular clamour in these respects has found expression in steadily rising costs, but it will not, I hope, be suggested that reasonable outlay consequent upon matters of this description is wasteful or unnecessary. Public opinion operates as a constant stimulus to the extension and improvement of local services.

It must also be remembered that as a result of the abnormal times through which the country has been passing the Imperial Government has cast fresh obligations upon local authorities to find work for the relief of unemployment. When it is recalled that schemes estimated to cost £101 millions were sanctioned by the Unemployment Grants Committee up to March, 1927, some conception may be formed of the effect of this outlay upon local finances, even after credit is given for the proportion of the cost borne by Imperial funds. At the same time it will be readily agreed that the provision of employment, even though not of a wholly economic character, is preferable to a system of relief which does not require any return from the recipient.

Another all important factor, which has borne heavily upon the local authority as well as upon individual members of the community, is the fall in money values and the consequent alteration in the price level. The adjustment of wages to meet the increase in the standard and cost of living, when taken in conjunction with the shorter hours now worked, may be accepted as having resulted in an increase in labour charges of not less than 100 per cent. All these elements are reflected in the accounts of local authorities: they are not confined to private enterprise.

If we look back at the reports of the Annual Meetings held during the first decade of the Institute's existence we find that very much the same problems which were exercising the financial officers of those days are present with us to-day, only in a much more aggravated form. What was then regarded as being of serious moment would pale into insignificance if contrasted with the position of affairs as they exist in this generation. Between 30 and 40 years ago reference was made to "alarmists who really thought that municipal expenditure of a capital nature ought to be stopped," and some few years later the President spoke of the criticism indulged in as to the rapid increase in the loan indebtedness of local authorities, and commented on the omission to explain that a large amount of the money borrowed had been expended upon revenue-producing works.

Another feature which gave rise to considerable anxiety was the increasing burden of the local rates, and attention was directed to the fact that between the years 1841 and 1868 the increase of rateable value was 61 per cent., whereas the increase of the total rates raised was stated to have been 105 per cent. Again, between 1871 and 1891 the increase of rateable value was 38 per cent., whilst the total raised thereon showed an increase of 57 per cent.

The records of thirty years ago show that there was a fear that the burden of local taxation was rapidly approaching the point beyond which any increase would, it was urged, seriously fetter the industries of the people. The President at that time struck quite a prophetic note when he went on to

observe that the outbreak of a war, in which this country might be involved, would probably cause such a dislocation of trade, and such an increase in the value of commodities, as to make a considerable addition to the rates, while at the same time the cost of the necessities of life would be enormously raised. How true was that forecast we are now in a position to judge.

Other references to the seriousness of the continual increase in local rates could be cited, but sufficient has been said to indicate that the problem is by no means new. It is nevertheless a matter which requires the most careful consideration of both national and local administrators.

In view of the prominent position which this subject at present occupies in the minds of the community, and in the deliberations of national and local assemblies, it is appropriate to consider the extraordinary developments which have taken place in recent years, and to trace the extent of the increase in local burdens and the causes which have contributed thereto.

REVENUE EXPENDITURE.

At the risk of a certain amount of repetition, I quote some figures indicative of the trend of public expenditure, and it may be interesting later to endeavour to ascertain how far to-day's heavy imposts may be attributable to the higher price to be paid for loans raised to meet the capital expenditure of local authorities.

During the eleven years which elapsed between 1914 and 1925 (the latest date to which national statistics are available) the aggregate expenditure on the rate services, inclusive of interest and charges in respect of the repayment of loan debt, increased from £107 millions to £261 millions. In the former year miscellaneous receipts and exchequer grants enabled the authorities to meet their obligations by levying rates to produce £71 millions, whereas in 1924-25 the requisite levy was for £142 millions—exactly double, although the population had grown in the same interval by only 6 per cent. and the rateable value by some 17 per cent. In the two succeeding years the receipts from rates were £147 millions and £159 millions, whilst the latest information gives the total rates levied in the year 1927-28 as having been over £173 millions.

In the same eleven years grants from Imperial sources rose from rather less than £23 millions to over £81 millions, nearly half of which latter sum was devoted to Education. The ratio of grants to rates was in the proportion of 24:76 in 1913-14, whilst in 1924-25 a larger share of the net expenditure was borne by grants, the ratio being 36:64.

Looked at from the point of view of the expenditure per head of the population of England and Wales, we find that it had increased from £1 19s. 0d. to £3 13s. 0d.; the latter figure relates to the year 1924-25, but by the year 1926-27 it had grown still further to £4 2s. 0d., whilst the average for last year was £4 8s. 0d.

Appended hereto is a table (Appendix "A") which sets out the growth which has taken place in the expenditure in respect of some of the principal services between the years 1913-14 and 1924-25, together with the amounts of grants from Imperial funds in aid of such outlay and the extra call made upon the ratepayers when compared with the pre-war year.

From these figures it will be seen that the greatest net increase on any one service has occurred in the cost of Poor Relief, the larger calls made on the resources of the Guardians not being counter-balanced by the additional assistance afforded from moneys in the disposition of Parliament. Herein lies one of the causes of complaint as to the inadequacy of the contributions from Government sources.

It should be emphasised that the real position in this matter is not fully disclosed by these figures, as they take no note of the expenditure defrayed out of temporary loans. In this connection I may remind you that under the Local Authorities (Financial Provisions) Act, 1921, as amended and extended by later Acts, any local authority is empowered, for the purpose of providing temporarily for any current expenses that may be incurred in the execution or performance of its powers and duties, to borrow by way of temporary loan or overdraft such amount as may be sanctioned by the Minister of Health. In pursuance of that authority many Poor Law Authorities have had recourse to loans to enable them to meet the heavy obligations cast upon them in recent years, and in 1925 over £5 millions was owing on this account. By 1927, due principally to the coal stoppage and its effect in mining districts, the total temporary indebtedness of the Guardians had increased to nearly £13 millions, which outlay would, under normal conditions, have been charged to the rates in the year in which it was incurred.

Industry complains of the burden of the local rates, but, to the extent that industry is unable to function and maintain its own employees, so leaving them without adequate means of support, and thus compelling them to seek public assistance, industry may be said to be itself a burden on the rates.

From an examination of the statistics published by the Board of Education, it would appear that the total cost of elementary education alone has increased from £26 millions in 1913-14 to almost £59 millions in 1924-25, although in that period there was a fall of nearly half a million in the average attendance. This increase may, in part, be traced to the improvement in the scales of salary embodied in the recommendations of the Burnham Committee, the adoption of which by local education authorities has been made obligatory. In the same period the contributions from the Board of Education rose by over £20 millions, so that whereas 45 per cent. of the total expenditure in 1913-14 was defrayed out of Parliamentary grants, the percentage in 1924-25 was 55 per cent.; this is indicated in the Appendix, an increase of 130 per cent. in the expenditure being off-set by an increase in grants to the extent of 177 per cent.

The figures relating to the Public Health services include expenditure in respect of tuberculosis, maternity and child welfare and other services, which have been developed to a marked extent since the War. Here we have an example of the tendency to increased expenditure which results when the Central Department of State urges upon local authorities the adoption of a more progressive policy. The rest of the increase is attributable, in the main, to the collection and disposal of house refuse, sewers and sewage disposal, and the provision of parks, pleasure grounds and open spaces, part of the extra cost being due to the growth of the population. The maintenance of a reasonable standard of health is a matter of vital importance to the nation, and if, as a consequence of the efforts now being made, a more virile race can be built up, surely no one should begrudge the money properly expended thereon.

As regards Housing, it should be observed that the extraordinary net increase disclosed in the table, if taken by itself, conveys but a meagre indication of the volume of the full liability incurred in connection with this service. In 1924-25 the deficit amounted in total to between £8 millions and £9 millions, to which the contribution of the Exchequer was about £7½ millions. Up to the close of the financial year which ended in March, 1927, the total cost to Imperial funds in respect of Housing was no less than £54 millions, the annual cost to the Exchequer now approximating £10 millions.

Although so much has been done in providing for this need, over a million houses having been erected since the Armistice (63 per cent. by private enterprise), it is understood that the demands have not yet been fully met; the limit of the liability under this heading is therefore not in sight.

On highways the stupendous sum of £43 millions was spent in 1924-25, towards which grants of £13 millions were made by the Road Fund. Contributions from that source were on a very small scale prior to the War, since which time the classified roads scheme has been brought into operation. Of the £43 millions, maintenance costs accounted for £38 millions, the balance of £5 millions being absorbed by loan charges.

The police service tends to become more and more national in its character, and the cost has been raised as a result of the action of the Home Office in requiring the adoption of the scale of pay recommended by the Desborough Committee. In consideration of this the Government undertook to supplement the amount of grants credited to the Police Account in the year 1914-15 so as to bring the total up to a moiety of the aggregate net expenditure.

Having regard to all the facts emerging from a close examination of the accounts of local authorities, to the circumstances in which expenditure has been incurred, and to the higher price level it will, I think, be admitted that Appendix "A" contains no evidence that would support any general statement imputing extravagance to those responsible for local administration. There may be one or two exceptional instances in which prodigality has been obvious, but taking the country as a whole the recorded data affords no proof of "waste."

LOAN DEBT.

Appendix "B" gives a statement of the debts of local authorities as on March 31st, 1914, and March 31st, 1925, arranged according to the several services, and Appendix "C" sets out the aggregate amounts owing by the various classes of authorities at the same dates.

At the close of the pre-war year the indebtedness of local authorities as a whole approached £563 millions, of which £312 millions was due in respect of the principal trading services, £12½ millions had been expended in connection with Housing, and the balance of £238 millions was outstanding on the rate-aided services.

In consequence of the embargo placed on the raising of loans during the war period there was a steady decrease in the aggregate amount of outstanding loans, but from 1920 onwards the annual increases were as follows:—

Year.	Total.	Proportion due to Housing.	Percentage of Total.
1920-21 ..	£102,615,603	£73,603,299	72
1921-22 ..	110,805,857	79,165,646	71
1922-23 ..	35,313,973	20,003,238	57
1923-24 ..	16,381,815	7,459,660	46
1924-25 ..	44,619,790	20,033,666	45
1925-26 (approx.)	69,778,000	41,135,000	59
	£379,515,038	£241,400,509	64

By 1925 the loan debts exceeded £864 millions, trading services accounting for £373 millions and Housing over £219 millions, leaving £272 millions as representing the expenditure on non-trading accounts. The aggregate net increase in the eleven years was £302 millions—equal to 53.7 per cent.

At the close of the year 1925-26 the outstanding debts had risen to over £934 millions, and as two years have passed since then it seems safe to assume that the total will now exceed £1,000 millions.

The most striking feature of Appendix "B" is the amount of £207 millions which has had to be found since the War to finance the various Housing Schemes. No analysis is available to show the directions in which this money has been applied, but the sum stated will cover not only the erection of houses by local authorities but the assistance which has been given to private enterprise in this matter. The outlay on this service cannot be regarded as wholly unproductive, although it makes heavy demands upon the public purse. It must not be forgotten that a considerable asset has resulted from the money which has been invested. Further, the extent to which assistance has been given in the form of advances, to enable ratepayers to acquire the ownership of the houses in which they reside, cannot but have a steadying influence upon the community which will be for the national good, and this without making any call upon public funds. Another aspect of the matter is the help which outlay of this description has afforded to industry, the development of which must be hampered unless proper provision be made for the housing of the workers.

Apart from the erection of new houses, authorities are at present faced with considerable expenditure relating to the clearance of slum areas, and there would appear to be heavy liabilities in prospect consequent upon clearance and re-housing schemes, a moiety of the cost of which must be borne locally. If, as a result of fresh legislation, the basis of compensation be varied in favour of the owners, the burden on the communal funds is likely to be still heavier.

In view of the efforts made, in the post-war period, to provide abundant supplies of electricity at a cheap rate, it is not surprising that there has been an outlay of £33 millions on the development of local authority undertakings. From this expenditure it is anticipated that great benefits will ultimately accrue to commerce and industry, as the provision of motive power at a minimum price is the main object which the Electricity Commissioners have set before them.

Amongst the onerous services there are just three to which I would refer. In the first place it should be pointed out that there has been a steady annual decline in respect of elementary education capital liabilities, with the result that the amount owing in 1925 was £33 millions, or £12 millions less than prior to the war. As illustrating the subsequent growth of capital expenditure upon all educational services, reference may be made to a recent publication of the Board of Education which gives the outstanding liabilities at March 31st, 1927, as over £48 millions, whilst further loans were sanctioned in the following year to the extent of more than £6 millions. The Board state that "during the war capital expenditure was reduced to small dimensions; after the Armistice it began to revive, until restrictions were imposed. After the relaxation of the restrictions in the latter part of the year 1923-24 the revival has been resumed, and the expansion has been conspicuous during recent years."

The enormous increase that has taken place in road transport by mechanically-propelled vehicles is reflected in the cost of providing suitable highways, as since 1920 the constructional works and improvements carried out have involved a growth in the capital commitments of the authorities of £19½ millions. It has been said that the roads in Great Britain are amongst the finest in the world, but it may be a matter for consideration as to whether, in the existing state of local finances, authorities are justified in

providing such expensive types of roads. One hesitates, however, to express an opinion on such a subject without complete knowledge as to the durability of the various methods of construction: a cheaper initial outlay might prove more costly in the long run. At the same time, sight must not be lost of the volume of unskilled labour which has been engaged upon these highway improvements which, to that extent, have helped to relieve the Unemployment problem, whilst the quantity of materials used thereon must have stimulated employment in other industries. The calls upon the ratepayers on account of roads constitute a heavy and increasing burden, and it will be admitted that the greatest advantages to be derived therefrom accrue to those directly interested in the transit of merchandise. The benefit of the few will, in the first place, be secured at the expense of the community, which, in its turn, should profit from reduced production costs. The time would not appear to be far distant when consideration must be given to the question of adopting a policy, similar to that in operation in some parts of the Continent, of declaring certain of the trunk roads to be national roads, the cost of which should be wholly paid for out of national funds.

Lastly, a considerable impetus has been given to the development of Small Holdings and Allotments, as more than £15 millions has been spent for this purpose, the bulk in the years immediately following the conclusion of peace. Practically the whole of this service is under the jurisdiction of the County Councils, the responsibilities of other authorities being relatively negligible. The major portion of the net cost falls upon National funds and the call upon the finances of local authorities may be disregarded.

From Appendix "C" it will be seen that the largest increase in expenditure occurred in the accounts of the County Borough Councils, followed, in the order named, by the Urban Districts, Rural Districts and Non-County Boroughs, although the greatest relative increase is shown in the figures of the Rural Districts where the debt, owing to an outlay of £38 millions on Housing, became nearly seven-fold in the eleven years. The obligations of Urban Districts rose to rather more than two-and-a-half times their pre-war totals.

As illustrative of the growth of the loan debt of local authorities which has taken place since 1925, reference may be made to the return issued by the Borough Treasurer of South Shields, which shows the net loan indebtedness of the County Boroughs at March 31st, 1927, to have been £383 millions. When compared with the corresponding figure for 1925 of £312 millions, the loan debt of this class of authority alone had grown by £71 millions in two years. In these areas £96 millions was owing on Housing Schemes—an increase of £31 millions in the two years referred to—in addition to £4½ millions in respect of subsidies paid to builders. During the same period an additional £23 millions was invested in reproductive undertakings, raising the total amount which had been put to a remunerative purpose to £179 millions. The balance of £103 millions represents the outstanding debt on the several rate fund, or not directly remunerative, services.

It is fully and freely admitted that municipal undertakings, in the main, provide cheap and efficient services, as may be evidenced by the result of the operations of the trading concerns under the control of the County Boroughs. Last year, after making allowances for the cases where a loss was sustained, the aggregate net amount by which the rates were relieved was £815,000, electricity undertakings being the largest contributors, only one such undertaking requiring assistance from the rates. Water undertakings, which may be regarded more or less as a public health service, made the

heaviest call on the rates, although, in a few instances, a slight financial benefit accrued to the ratepayers generally.

SOURCES OF BORROWING.

Stock Issues.

May I now direct attention to the various sources from which the money necessary to enable authorities to finance their several schemes has been obtained? Through the courtesy of the Secretary I have been furnished with a list of stocks issued by local authorities during the post-war years which indicates that within this period the amounts floated during each calendar year (inclusive of sums raised by Scottish and Irish Authorities), were as shown in the following table:—

Year.	No. of Authorities concerned.	No. of Issues.	Amount of Issue. £
1919	2	2	3,580,000
1920	29	33	37,922,614
1921	18	19	24,178,531
1922	7	7	6,490,672
1923	3	3	950,000
1924	14	15	13,174,324
1925	26	26	25,522,000
1926	27	27	40,971,000
1927	24	24	28,486,000
		156	£181,275,141

The issues were divided between the various classes of local authorities as set out hereunder, namely:—

	No. who Issued Stock.	No. of Issues.	Amount Issued. £	Percentage of Total. %
London County Council	1	3	19,000,000	10.48
Corporation of London	1	2	4,907,807	2.71
County Councils	4	4	7,000,000	3.86
County Boroughs	50	108	106,190,514	58.58
Other Boroughs	4	6	2,381,000	1.31
Port of London Authority	1	3	8,000,000	4.41
Water and Electricity Boards	9	16	13,065,540	7.21
Scottish Authorities	6	8	13,250,000	7.31
Irish Authorities	4	6	7,450,780	4.13
	80	156	£181,275,141	100.00

Prices of issue varied considerably, according to the market conditions prevailing at the time of issue, but by far the greater number (114) were issued at a discount, principally at 95 or over, 95½ having been a popular price in the days of 6 per cent. stocks. In only 15 issues was a premium obtained, 13 of these being made in 1927.

One-third of the issues were for a minimum period of 20 years, the rest covering a wide range of years varying from 5 to 37, the first optional date for redemption in rather more than one-fifth of the issues being at the expiration of 15 or 16 years.

In 75 instances the period elapsing between the earliest optional and the compulsory redemption dates was 10 years, whilst in 41 the span was 20 years. Of the remainder, there were two issues where the interval was as short as four years and one which extended to 45 years.

Maximum periods, with one exception, varied between 15 and 60 years, the greatest number being redeemable in 30 years from the time of issue. There were seven cases where the issue was for a definite term of years.

The amount of stock of the different denominations issued in each of the post war years, the average flat rate of interest (calculated upon the cash proceeds of the several issues), and

the average cost to the authorities when allowance is made for the difference between the issue price and the amount at which redemption can be effected were:—

Year.	Nominal amount of issue.	Denomination of Stock.	Average flat rate of interest per cent.	Average cost per cent. allowing for difference between issue and redemption prices. (a)
	£	Per cent.	£ s. d.	£ s. d.
1919	1,080,000 2,500,000	5 5½	5 12 0	6 3 3
1920	33,332,750 2,500,000 2,089,864	6 5½ 5	6 3 3	6 7 1
1921	9,598,969 11,000,000 3,552,447 27,115	6 5½ 5 4	6 2 8	6 9 5
1922	180,000 6,310,672	6 5½	5 14 1	5 18 6
1923	950,000	4½	4 13 5	4 17 9
1924	1,374,324 5,850,000 5,950,000	5 4½ 4½	4 16 1	4 18 6
1925	1,792,000 12,230,000 11,500,000	5 4½ 4½	4 16 9	4 19 6
1926	40,971,000	5	5 0 4	5 0 7
1927	21,396,000 1,090,000 6,000,000	5 4½ 4½	4 19 2	5 0 4

(a) Calculated on minimum period in all cases.

Prior to the outbreak of hostilities in 1914 three issues were made on which the average flat rate of interest, taking into account the price of issue, worked out at £3 13s. 9d. per cent., the full cost being £4 2s. 5d. if redemption were effected at the earliest opportunity, or £3 14s. 0d. per cent. if redemption be delayed until the compulsory date.

The decision of the Treasury to authorise the issue of Housing Bonds at 6 per cent. had a marked effect upon money market conditions, so far as local authorities were concerned, as up to the publication of the Housing (Local Bond) Regulations, in February, 1920, money was being taken in the Provinces at from 5 to 5½ per cent. In competition with 6 per cent. Housing Bonds the supply of mortgage money at a lower rate naturally ceased and the large blocks of stock issued in 1920 at 6 per cent., mostly at 95½, bear eloquent testimony to the monetary conditions at that time when the calls for Housing purposes were at their peak.

The first 6 per cent. stock issues were made at par in March, 1920; the next month the price fell to 98 and the following month to 95½, at which figure it remained in respect of all issues up to and including those made in June, 1921, subsequently to which conditions somewhat improved. The years 1920 and 1921 will accordingly stand out as "black" years in the annals of local authority loan transactions.

It seems reasonable to assume that those authorities whose stocks are carrying more than the current rate of interest will seek to redeem them at the first optional date. Ignoring the operation of the redemption funds, and having regard to the question of interest only on the full amount of the original issues, the ultimate saving which will be effected on the

replacement of such stocks as will mature up to and including the year 1941 will, if they be replaced by 5 per cent. stocks at par, exceed £600,000 per annum, with a greater saving should interest rates be more favourable to the borrower.

At the close of the financial year in 1925 the capital requirements of local authorities had been provided for by stock issues to the extent of £359 millions (or 42 per cent. of their aggregate indebtedness) distributed between 15 County Councils, 71 County Boroughs, 33 other Boroughs, 8 Urban Districts and 20 Joint Boards. It is noteworthy that there were only 11 County Boroughs that had not had recourse to the London money market to assist them in meeting their capital obligations.

The average rate of interest payable on the above stocks was 3½ per cent., which may appear somewhat remarkable in the light of the cost of recent issues, if sight for the moment be lost of the large amount of pre-war stocks still on the market. In 1925 there was no less a sum than £230 millions running at 3½ per cent. or under, nearly £142 millions bearing only 3 per cent. interest.

According to particulars furnished in the *Municipal Money Market* in the early months of the present year the total amount of stock for the redemption of which local authorities in England and Wales were responsible was approaching £422 millions.

Local Loans Fund.

Another fruitful source of borrowing has been the Local Loans Fund which is under the administration of the Public Works Loan Commissioners. Between 1919 and 31st March, 1925, over £105 millions had been advanced by the Board on the security of local rates, and at the latter date over £129 millions, or nearly 15 per cent. of the aggregate local indebtedness, was outstanding. Of this sum £94 millions (approximately 73 per cent. of the total) was for the purposes of the Housing Acts.

The rates of interest at which the loans were granted vary between 2½ per cent. and 6½ per cent., 22 per cent. of the total advances carrying interest at 6 per cent., whilst 36 per cent. of the loans had been made at 6½ per cent. Taking the whole amount outstanding in 1925 the average rate payable to the Public Works Loan Board by local authorities in England and Wales, for loans secured on local rates, was £5 9s. per cent.

In 1914 only £48 millions was owing to the Board, largely in respect of Education and Public Health Services, and the average rate of interest then current was £3 7s. 3d. Had interest rates remained unaltered the total interest payable would have been some £2,700,000 less than it actually was in 1925. On the other hand the periodical instalments applicable to the redemption of loans repayable on the annuity basis would have been somewhat greater.

Mortgages.

Allowing for outstanding stocks and Public Works Loan advances, it will be seen that in 1925 £376 millions—or 43 per cent. of the total indebtedness of local authorities—had been financed by "other" means, the bulk of which, apart from the comparatively few cases where authorities have power to issue money bills, had presumably been raised by annuities, debentures, local bonds and mortgages either for short terms or for the full sanction periods.

From investigations regarding interest paid in the year 1924-25 I am led to the conclusion that the average rate applicable to these latter securities was about 24 15s. per cent., which compares with £5 9s. payable to the Public Works Loan Board, and an average of approximately 3½ per cent. carried by stocks current in 1925. In making these comparisons it must, however, be remembered that there are

certain liabilities other than interest attaching to stocks where issues have been effected at a discount, just as there are slight advantages in favour of stocks where a premium has been received.

COMPARISON OF BORROWING METHODS.

Some three or four years ago a question was raised at the Annual Meeting of the Institute as to the relative merits of the various methods of providing for an authority's capital requirements. Inquiries were made by the Council as to the experience of authorities, as a result of which it was ascertained that, in the case of the limited number of towns who were in a position to furnish helpful information, there was but little difference in the financial effect whether the requisite moneys had been obtained by means of stock issues or from mortgage loans.

One school of thought holds that it is desirable to mix the sources from which money is drawn, having regard to the availability of funds for redemption purposes at the time when stocks mature, whereas other authorities are content to rely almost entirely upon money which is available from local investors with occasional assistance from the Public Works Loan Board, now that a moiety of the proceeds of the sales of savings certificates may be utilised for all purposes for which loans may be raised.

Each method has its advantages: each appeals to a distinct type of investor. Those who have become accustomed to dealing at the local Town Hall do not view with favour the procedure involved in connection with the London money market, but prefer to receive a deed bearing the seal of the authority rather than a stock receipt which contains an intimation that it has no negotiable value. If large sums of money are required within a limited period stocks have a clear advantage over mortgages which, if the loans be received in small sums, take a considerable time to accumulate to a substantial total. But this latter difficulty does not attach to specific loans taken to cover any particular outlay where the principal money is repayable by an annuity, or by instalments, spread over the full sanction period. From the borrower's point of view the work of administration connected with a stock issue is probably less onerous than that entailed by a heavy mortgage debt, especially where the management of the stock is placed in the hands of a bank. Finally, the degree of permanency, which is inherent in a stock issue, renders the authority's financial arrangements less liable to disturbance in times of financial stress.

The short term mortgage system, which has the effect of stimulating local patriotism, finds particular favour in the industrial areas of the North, where it is better understood, perhaps, than in other parts of the country. Bearing in mind the different aspects of the question it would be unwise to dogmatise or to express any definite views as to which is the better method to adopt: it is a matter for each authority to determine for itself after having given full consideration to all the factors operating in, or in connection with, the area concerned.

LOAN CHARGES.

When we examine the effect which debt has upon the finances of authorities we find that in the year 1913-14 loan charges amounted to nearly £34½ millions, whilst by 1924-5 they had grown to £81½ millions. In the former year interest paid on loans averaged £3 7s. 4d. per cent., whereas in the year 1924-25 the average worked out at £4 9s. 4d. per cent. Interest rates had therefore increased, in the meantime, by an average of £1 2s. 0d. per cent. If they had remained the same as they were prior to the war the burden of the local authorities would have been eased to the extent of nearly £10 millions per annum. Expressed in terms of rate poundage

this is equivalent to a rate of 10d. in the £, but I would remind you that a large portion of the charge falls upon the revenues of the trading concerns.

Of the total loan charges in the year 1924-25 nearly £25 millions was chargeable against the remunerative undertakings; approaching £13½ millions was payable in respect of Housing Loans, leaving £23 millions to be found out of rates and Government Grants. It is not possible to state the exact amount of the loan charges which fell to be met out of rates, but at a moderate estimate Exchequer Grants would provide well over £1 million. If that be a fair estimate it follows that approximately one-seventh of the income from rates is devoted to the service of the debt.

Another factor which has to be remembered is that in the course of a few years, as the grants now receivable in respect of loan charges relating to works undertaken for the relief of unemployment come to an end, after the expiration of a maximum period of 15 years from the date of borrowing, there will be a serious increase in the sum to be found from local sources in those areas where the equalisation policy, discussed at the Harrogate conference, has not been put into operation.

LIMITATION OF EXPENDITURE.

It is the fixed charge in respect of debt which in large measure limits the ability of authorities to meet the insistent call for a reduction in the rate burden, and it behoves every authority and its officers to consider most carefully the financial effect of any proposal which involves an increase in capital liabilities. The temptation to proceed with works of which the cost is to be paid out of borrowed moneys is exceedingly strong, and Councils are liable to consent to the adoption of schemes which do not immediately affect the rates, ignoring for the time being the cumulative effect of what appear, individually, to be comparatively small charges. Moreover, capital expenditure generally brings in its train increased costs of maintenance, all of which should be brought under review.

In the course of one of their recent reports the Ministry of Health observes that "where there is evidence that the rate-payers are finding it difficult to meet their obligations it is desirable that the Local Authorities should avoid entering into commitments which involve capital expenditure, and the Department in considering applications for sanctions to loans for public works, take carefully into account the financial circumstances of the district." In a few cases the Ministry have found it necessary for this reason to refuse sanction, notwithstanding the fact that the loans were required for important purposes of Public Health or Education.

A similar policy is pursued by the Public Works Loan Board, as their Reports reveal the fact that applications for loans have been refused in consequence of the high rates levied in the district concerned.

True economy does not always consist in refraining from expenditure but in ensuring that full value is derived from every pound that is spent. Expenditure may be divided into at least two classes—that which is necessary, and that which is desirable were financial circumstances such as to allow of its being entered into without embarrassment.

Essential expenditure must be provided for, and in this class will be included outlay involved in the extension of remunerative undertakings, although part of the assets to be acquired may occasion some loss in the years immediately following their purchase or construction and pending the development of the undertakings. Where trade conditions are adverse and the gratification of a Council's desires would incur a burden which cannot be met out of the natural growth

of income, the same prudence as would operate in private life must guide them in coming to a decision.

Various expedients have been suggested with a view to assisting local Councils to keep some check upon their commitments, as examples of which may be instanced (i) the policy of "rationing" the outlay which the authority is prepared to provide for, both on revenue and capital accounts; (ii) the preparation of a budget of capital expenditure which may deal with the prospective outlay during one year, or forecast the effect of the capital schemes which the Council have decided upon or contemplate carrying out within a period of, say, three or five years; (iii) the proposals submitted to the last Conference by Mr. Nettleton in his paper on "Paying-as-we-go"; and (iv) the determination to refuse sanction to any capital expenditure, except in circumstances of absolute necessity, until such time as there may be an improvement in the condition of trade and industry in the locality.

"Rationing" may be said to have had its origin in Birmingham when the City Council resolved that, so far as they could commit their successors, they would not levy a rate of more than a specified poundage during the next succeeding few years. But to make such a policy successful there must be the will to economise, as unless there be a restriction upon outgoings the levying of a fixed rate may only lead to still greater difficulty by increasing the sum which must be raised in future years. The problem will not be solved by merely refraining from levying a higher rate; the solution lies in the hands of the spending departments who must so arrange—or be required by the council to arrange—their programmes that the costs of administration and maintenance may come within the sum allowed for the service of the year. As previously pointed out, the existence of heavy irreducible loan charges makes this task all the more troublesome to accomplish.

In the matter of capital outlay it will be for the authority to determine what additional loans can be raised without detriment to its credit, and then in times of stress to decide how this sum is to be apportioned between the respective accounts, giving priority to the most urgent schemes and remembering the effect which unremunerative expenditure will have upon the local rate. Proposals have from time to time been made that councils should fix a limit to the amount of the rate which may be devoted to debt service, but it seems to me that circumstances may arise which would make it impossible to adhere to any such resolution, however desirable it may be to apply something in the nature of a brake.

The preparation by the Finance Committee of an estimate of future capital expenditure, compiled from information supplied by the various departments, is an invaluable aid to a comprehensive survey of the council's position. This estimate, which should be submitted at the same time that the rate estimates are under consideration, should include all prospective outlay, discriminating between schemes that have already been approved by the Council and those which still await their sanction. If particulars be furnished as to the period when such expenditure is likely to be incurred, they will be a guide to the Finance Committee when considering the question of providing the necessary capital, upon which phase of the subject the Committee will be expected to advise the Council. An indication should be given as to the effect of the proposed outlay upon loan charges to be met out of rates, both during the period in which the work is in progress and when the project is completed. With these details before them the Finance Committee will be in a position to express their views as to the wisdom of proceeding with the suggested schemes or deferring them until such time as the financial outlook is more favourable.

When preparing a Capital Budget, it is desirable to draw a distinction between the proposed outlay on trading undertakings and that which is to be incurred on non-trading services, separate totals being furnished for each class of expenditure. If a demand for further capital for a trading undertaking can be justified on the grounds of expanding trade, with the prospect of an adequate return from the additional amount to be invested (as to which points full estimates should be placed before the Council), such circumstances should afford satisfaction to the authority. At the same time consideration must be given to the effect which additional borrowings may have upon the credit of the authority, and as to whether or not the creation of the extra debt involved will to any extent raise the price of money which the authority may require for other services.

Where the capital is to be expended on purposes which will throw additional burdens upon the rates other factors call for consideration, and care must be taken to ensure that the annual cost entailed will be fully compensated for by the benefits which will ensue as a result of the carrying out of the proposed scheme.

Whenever proposals for the extension of an authority's capital commitments are brought forward reference should be made to the latest budget which has received the approval of the Council, and unless provision has been made therein for the financing of the scheme the situation demands the exercising of caution, so that the Council may be fully satisfied that their financial arrangements will not be disorganised by the introduction of obligations not contemplated when the whole position was under review.

To those who are interested in this phase of finance I commend a careful perusal of the instructive article on capital expenditure contributed to the May issue of the *Financial Circular* by the City Treasurer of Hull. In the course of that article practical suggestions are made as to the precise details which will be helpful to the Council when they are called upon to give their decision concerning any proposed increase in their capital liabilities.

With regard to the third system advocated as a means of controlling expenditure, I would say that, whilst the "paying-as-we-go" policy contains many admirable features, difficulty would be experienced in applying it generally in view of the existence of the debt in respect of past expenditure which the present generation of ratepayers is called upon to liquidate. The principle enunciated meets with the approval of the Ministry of Health, as far as expenditure of a constantly recurring character is concerned, and the adoption of a policy which would result in fewer applications for sanctions to the raising of loans would be welcomed by that Department.

It has been suggested that advantage might be taken of any increase in the product of the local rates which may follow the raising of the rateable value of an area as a consequence of the re-valuation which is now proceeding, but it is somewhat doubtful if such a proposal would be received with favour by the ratepayers, especially in these days of economic stress when the urgency is for decreased, rather than increased, demands upon the resources of the people. The quantum of his assessment is a matter of little moment to the ratepayer, provided he is not called upon to meet any additional rate demand. If the same poundage rate be applied to an increased assessment, with the object of raising additional funds to defray the outlay on schemes of a capital nature, it is not difficult to imagine the outcry which such a procedure would occasion.

It seems to me that, apart from the establishment of a "common good" fund, such as the Coventry Corporation is a recent Bill unsuccessfully sought powers to create, a practical

way of bringing about the proposed change in financial policy (if local circumstances permit) would be for the Council to determine upon a reasonable sum to be included in the rate each year for the express purpose of paying for outlay of a capital nature. This provision could be increased from year to year by an amount equal to such reduction as there may be in the loan charges as a result of the liquidation of debt already contracted for similar purposes.

Loans can never be entirely abolished, but if effect were given to the foregoing proposal much would be accomplished in the direction of avoiding the raising of capital for other than works of an extensive and costly character.

The fourth expedient named may perhaps be described as the "stand still," the "do nothing" or the "*laissez faire*" policy. As an illustration of what may be done in this direction, I cannot do better than refer to the decision of the Cardiff City Council "to close down the capital account, except for present commitments or for the remunerative undertakings, for a period of five years, unless future proposals for the expenditure of capital moneys can be proved to be imperative in the general interests of the City." The Cardiff Council further resolved that, even when this condition is fulfilled, only those works shall be undertaken which cannot possibly be done without. I am told that the effect of this resolution, during the two years that have elapsed since the decision was arrived at, has been to lead to the abandonment or indefinite postponement of projects which would have entailed an outlay of £300,000. Had the loan charges in respect of such an expenditure been payable out of the rates of that City, the resultant burden would have been equivalent to a rate of possibly 4d. in the £ for a period of twenty years.

It is conceivable that other Councils may be led to a similar conclusion if the whole of the facts relating to their own financial position be placed before them in the form of a budget, or, as was the case in Cardiff, upon consideration being given to a statement clearly indicating the progressive burden of the loan charges.

CUMULATIVE EFFECT OF CAPITAL EXPENDITURE.

Before concluding my remarks I would ask you to consider for a moment the cumulative effect which capital expenditure has upon the provision to be made to meet an authority's liabilities, both on capital and revenue accounts.

Dealing first with the capital aspect of the question—it does not necessarily follow that capital expenditure will occasion an increase in the external debt of the authority, particularly in those cases where money is provided by stock or short term mortgages. In the former circumstances, balances standing to the credit of the redemption funds may, with the necessary sanction, be applied to fresh capital purposes and so avoid, to a corresponding extent, any growth in the amount to be raised by the authority. A similar result ensues when an authority, in pursuance of its enabling powers, instead of providing for its capital needs by the issue of fresh mortgage securities, exercises a borrowing power, either wholly or partially, by using so much of any of its sinking fund moneys as shall be available for the repayment of loans secured on the same rate fund or revenue as is chargeable in respect of the new capital purpose. In passing, it may be observed that it is generally financially advantageous, where loans do not come within the provisions of Section 79 of the Public Health Act, 1925, to utilise sinking or redemption funds either directly in the cancellation of debt or in the defrayment of new capital expenditure, so saving income tax on such interest as would otherwise be earned by the investment of the funds.

The problem of providing new capital to take the place of maturing debt is one which arises more particularly in

connection with the replacement of stock issues. When the flow of mortgage loan money is more or less constant—and its supply can usually be accelerated or retarded by a variation in the rate of interest offered—the adjustment of the supply, to meet the needs of the year, as a rule presents no difficulty beyond the effect which the rate of interest may have upon the annual charges, not only in respect of the new loans, but also upon such mortgages as may be falling due for repayment during the period when it may have been found desirable to raise the rate of interest. The position is, however, different as regards stock, the application of redemption funds to the financing of fresh projects occasioning a commensurate increase in the amount to be borrowed to replace maturing stock. As a guide to the Council in determining the period for which long-dated loans of substantial amount should be taken, a statement showing the debt maturing in each year (in respect of all services, including trading undertakings) will be helpful, as it is essential that the dates of maturity of the various classes of loans should be so spread as to avoid too great a strain on the credit of the local authority in any year.

It is not easy to portray the cumulative effect which capital expenditure has upon the annual revenue requirements of a local authority. I have already referred to the limitation which, once it has been incurred, it imposes on the ability of the authority to curtail its annual outgoings, and to the oppressive character which such annual charges assume. Attention has also been called to the additional burden which will fall upon local funds as and when the grants in respect of Unemployment Relief Works cease. It is therefore desirable that an attempt should be made to set out clearly and simply what the effect of the Council's borrowing policy will be in future years.

If a statement be prepared giving particulars, for a series of years, of the amounts payable on account of interest and the repayment of debt, providing for such further capital expenditure as has already been approved, and allowing for such portions as may be payable out of grants (indicating separately the amounts which will fall upon the rates), the Council will be better able to visualise the burden which is being placed on the ratepayers of the future. So far as trading undertakings are concerned, it is assumed that sanction would not be given to additional outlay unless such expenditure would be the means of ultimately producing sufficient extra revenue to pay for the annual cost involved, and to provide for such increased reserves as prudence would dictate. Where rate fund services are concerned it may also be useful to state what the calls mean when expressed in the terms of rate poundage.

CONCLUSION.

Many of the matters dealt with in the course of this somewhat discursive Address are questions of policy in which Finance Committees and Members of the Councils are vitally interested. Upon them rests the responsibility of arriving at such decisions as will be in the best interests of the community. It is for them to take such steps as will ensure that all the services under their control shall be economically and efficiently administered. With all these problems the Members of the Institute are also closely associated and the Institute unreservedly places its resources at the disposal of the local authorities, confident in the hope that the efforts that are being, and have for many years been, made to improve the technical and general knowledge of its members will secure for those authorities that efficiency in all matters relating to accounts, and that sound and expert advice regarding the intricacies of municipal finance, which they have a right to expect from those who hold the diplomas of the Institute.

APPENDIX B.

OUTSTANDING LOANS OF LOCAL AUTHORITIES IN ENGLAND AND WALES.

Services. (1)	At March 31st, 1914.		At March 31st, 1925.		Variations in 11 years.	
	Amount. (2)	Per- centage of total. (3)	Amount. (4)	Per- centage of total. (5)	Increase (+) or Decrease (-) (6)	Per- centage (7)
	£	%	£	%	£	%
I.—TRADING SERVICES—						
1. Cemeteries	2,943,468	.52	2,435,698	.28	(-) 507,770	17.3
2. Markets	7,099,167	1.26	6,093,140	.70	(-) 1,006,027	14.2
3. Waterworks	131,095,247	23.30	148,059,326	17.12	(+) 16,964,079	12.9
4. Gasworks	22,537,201	4.01	25,238,401	2.92	(+) 2,701,200	12.0
5. Electricity supply undertakings	30,790,851	5.47	63,876,009	7.38	(+) 33,085,158	107.5
6. Tramways and light railways	37,723,977	6.70	37,888,629	4.38	(+) 164,652	.4
7. Harbours, docks, piers, canals and quays	79,602,746	14.15	89,372,484	10.33	(+) 9,769,738	12.3
8. Housing and town planning ..	311,792,657	55.41	372,963,687	43.11	(+) 61,171,030	19.6
	12,495,466	2.22	219,485,147	25.38	(+) 206,989,681	1,656.5
II.—RATE SERVICES—	324,288,123	57.63	592,448,834	68.49	(+) 268,160,711	82.7
9. Education:						
(i) Elementary (including in- dustrial schools)	44,372,087	7.89	32,522,917	3.76	(-) 11,849,170	26.7
(ii) Higher	7,741,082	1.37	9,397,467	1.09	(+) 1,656,385	21.4
10. Public libraries and museums	1,100,094	.20	812,778	.09	(-) 287,316	26.1
11. Public health:						
(i) Sewers and sewage disposal	44,085,787	7.84	49,241,397	5.69	(+) 5,155,610	11.7
(ii) Collection and disposal of house refuse	(a) 4,196,102	.75	2,875,730	.33	(-) 1,320,372	31.5
(iii) Hospitals, sanatoria, dis- pensaries—						
For tuberculosis	330,504	.06	2,090,852	.24	(+) 1,760,348	532.6
For other diseases (venereal diseases, fever, &c.) ..	5,085,311	.89	2,847,434	.33	(-) 2,187,877	43.5
(iv) Maternity and child welfare	—	—	428,094	.05	(+) 428,094	—
(v) Baths, wash-houses and open bathing places ..	3,161,190	.56	2,856,182	.33	(-) 305,008	9.6
(vi) Parks, pleasure grounds and open spaces	9,237,946	1.64	12,066,910	1.40	(+) 2,828,964	30.6
(vii) Other health services ..	—	—	2,949,640	.34	(+) 2,949,640	—
12. Lunatics, lunatic asylums and mental deficiency	10,917,577	1.94	8,174,620	.95	(-) 2,742,957	25.1
13. Relief of the poor	11,356,611	2.02	6,532,157	.76	(-) 4,824,454	42.5
14. Highways, bridges and ferries	61,703,906	10.97	81,207,644	9.39	(+) 19,503,738	31.6
15. Private street works and other works of private improvement	1,277,730	.23	979,292	.11	(-) 298,438	23.4
16. Fire brigades (engines, &c.) ..	2,303,784	.41	2,380,990	.28	(+) 77,206	3.4
17. Police and police stations ..	1,976,029	.35	1,196,981	.14	(-) 779,048	39.4
18. Administration of justice ..	1,136,177	.20	936,590	.11	(-) 179,587	15.8
19. Land drainage, embankment and river conservancy ..	2,576,678	.46	4,245,488	.49	(+) 1,668,810	64.8
20. Small holdings and allotments	4,685,936	.83	19,959,368	2.31	(+) 15,273,432	325.9
21. Other services	21,147,391	3.76	(b) 28,710,965	3.32	(+) 7,563,574	35.8
22. TOTAL OUTSTANDING LOANS FOR ALL PURPOSES	562,630,045	100.00	864,882,330	100.00	(+) 302,252,285	53.7
23. Amount standing to the credit of sinking funds	35,701,828		63,108,859		(+) 27,407,031	—
24. Net debt after deducting sink- ing funds not applied ..	£526,928,217		£801,773,471		(+) £274,845,254	52.2

(a) Includes dépôts, stables, wharves, refuse destructors and works connected therewith.

(b) Includes £4,220,598 in respect of miscellaneous trading services and corporate estates, and £9,973,554 belonging to but not allocated to specific services.

APPENDIX C.

OUTSTANDING LOANS OF LOCAL AUTHORITIES IN ENGLAND AND WALES.

Class of Authority. (1)	At March 31st, 1914.		At March 31st, 1925.		Variations in 11 years.	
	Amount. (2)	Per-centage of total. (3)	Amount. (4)	Per-centage of total. (5)	Amount. (6)	Per-centage (7)
	£	%	£	%	£	%
1. London County Council	69,704,503	12.4	79,797,802	9.2	(+) 10,092,799	14.5
2. Other County Councils	27,800,475	4.9	41,011,986	4.7	(+) 13,211,511	47.5
3. County Borough Councils	209,847,089	37.3	340,469,119	39.4	(+) 130,622,030	62.2
4. Non-County Borough Councils ..	40,566,618	7.2	72,331,331	8.4	(+) 31,764,713	78.3
5. Urban District Councils	35,442,046	6.3	95,613,559	11.1	(+) 60,171,513	169.8
6. Metropolitan Boroughs (including City of London)	17,966,007	3.2	30,012,842	3.5	(+) 12,046,835	67.1
7. Poor Law Authorities	10,438,232	1.9	6,863,308	.8	(-) 3,574,924	34.2
8. Rural District Councils	6,861,449	1.2	47,535,279	5.5	(+) 40,673,830	592.8
9. Miscellaneous Local Authorities ..	144,003,626	25.6	151,247,604	17.4	(+) 7,243,978	5.0
	£562,630,045	100.0	£864,882,330	100.0	(+) £302,252,285	53.7

APPENDIX A.

SHOWING THE GROWTH IN THE COST OF THE PRINCIPAL SERVICES DURING THE ELEVEN YEARS ENDED MARCH 31st, 1925.

Services. (1)	Approximate Gross Expenditure less Relevant Income.				Approximate Exchequer Grants.				Approximate Net Cost to Local Rates.			
	Year 1913-14	Year 1924-25	Increase (4)		Year 1913-14	Year 1924-25	Increase (7)		Year 1913-14	Year 1924-25	Increase (10)	
	(2)	(3)	Amount	%	(5)	(6)	Amount	%	(8)	(9)	Amount	%
	£ (000)	£ (000)	£ (000)		£ (000)	£ (000)	£ (000)		£ (000)	£ (000)	£ (000)	
Education	30,629	70,317	39,688	130	13,960	38,677	24,717	177	16,669	31,640	14,971	90
Public Health	11,791	27,291	15,500	132	144	3,000	2,856	1,985	11,647	24,291	12,644	109
Lunacy and Mental Deficiency	3,699	7,258	3,559	96	955	(a) 1,431	476	50	2,744	5,827	3,083	112
Housing and Town Planning	59	8,776	8,717	14,775	—	7,490	7,490	—	59	1,286	1,227	2,080
Relief of the Poor	11,836	29,761	17,925	151	(a) 1,058	(a) 1,199	141	13	10,778	28,562	17,784	165
Highways and Bridges	(b) 15,770	43,494	27,714	176	576	12,975	12,399	2,327	(b) 15,194	30,509	15,315	101
Police	7,420	18,128	10,708	144	2,872	9,094	6,222	217	4,548	9,034	4,486	99

(a) Excluding the part of the grants under the Agricultural Rates Acts which may be taken to have been applied in aid of rates for these purposes (approximately £1,000,000 in 1924-25).

(b) Includes Ferries, so that the actual increase is greater than the amounts shown in columns (4) and (10).

Correspondence.

COSTS FOR MANUFACTURERS (PITMAN'S).

To the Editors *Incorporated Accountants' Journal*.

Sirs,—In the review of this book in your July issue, difficulty appears to be apprehended in regard to "hand labour." I suggest that the principle of the "unit rate of expense" (based on time and space occupation) can be applied equally as well to this form of labour as it would be to a large machine with its complement of employees.

The type of hand labour will vary, of course, according to the factory and the nature of the output; in some cases it may conveniently be grouped for production, but in others it is necessarily a matter of individual output. In both instances, however, the applied unit rate of expense—on a given space that has been allocated with discretion—will appropriately reflect the expense element of the cost.

The method gives to the manufacturer the assurance of the total recovery of his expenses (or overhead charges) in the aggregate, and what is perhaps of more immediate importance the knowledge as to the amount gained on the "normal expenses" of the individual order, by reason either of "overtime" or an "increased rate of production." On the other hand, there is obtained a similar indication of the amount lost on the "normal expenses" through "idle time" or a "decreased rate of production."

It is true that in the case of individual output, by hand labour, the clerical time saving that is effected by the use of the "composite time sheets" for grouped hand labour or grouped machines is lost. Nevertheless, I can conceive many opportunities where an intelligent cost staff would retain several of the advantages attaching to the "composite time sheet."

Thanking you for your courtesy in allowing me to amplify the point of the use of a "unit rate of expense" in regard to hand labour,

Yours truly,
CHARLES SMITH.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotions in the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

- BAKER, BERTIE, Lichfield Chambers, Leicester Street, Walsall, Practising Accountant.
- BROWNE, ARTHUR GRIDLEY (A. C. Mole & Co.), Stafford House, Taunton, Practising Accountant.
- CARPENTER, HERBERT FRANKLIN, Clerk and Treasurer to the West Midlands Joint Electricity Authority, Dudley Road, Wolverhampton.
- GRAINGER, WILFRED HENRY, 5, Staple Inn, Holborn, London, W.C.1, Practising Accountant.
- SIMPSON, STANLEY WITCOMB (Page, Simpson, Fitzgerald & Lambert), Essex House, High Street, Stratford, London, E.15, Practising Accountant.
- STEMBRIDGE, PERCY GLADSTONE, Burlington Chambers, 118, New Street, Birmingham, Practising Accountant.
- TOWNSEND, HERBERT, 16, Weston Park, Crouch End, London, N.8, Practising Accountant.
- WHITE, ARTHUR MOHUN (White & Crowe), 29, Grainger Street West, Newcastle-on-Tyne, Practising Accountant.

FELLOW.

- TAYLOR, ERNEST MILES, F.C.A. (Miles Taylor, Pickles & Co.), 18, Coleman Street, London, E.C.2, Practising Accountant.

ASSOCIATES.

- BAYLEY, CHRISTOPHER THOMAS, Clerk to Holman, Foxcroft & Jackson, 11, Queen Victoria Street, London, E.C.2.
- BROMWICH, PHILIP ARTHUR HARRISON, Clerk to Watson & Tebbet, 24/26, Corridor Chambers, Market Place, Leicester.
- COCKER, ERIC, Clerk to Farrant & Stott, 6, Booth Street, Manchester.
- COULTER, JAMES, Clerk to T. C. Whittaker & Co., 51, Fountain Street, Manchester.
- DUGDALE, GEORGE, Clerk to Martin & Acock, Westminster Bank Chambers, 69, London Street, Norwich.
- ENGLISH, WALTER, Clerk to Alabaster, Stray & Clogg, 74, Coleman Street, London, E.C.2.
- FENN, SYDNEY RAYMOND, Clerk to Larking & Larking, Orford Place, Norwich.
- FERGUSON, JAMES DONALD, Clerk to Buzzacott, Lillywhite & Co., 16/17, King Street, Cheapside, London, E.C.2.
- FRANCE, RICHARD DOUGLAS, Clerk to R. B. France & Co., St. Andrew's Chambers, 22, Park Row, Leeds.
- GREENWOOD, HERBERT, Clerk to Leith, Freake & Cade, 69, Maitland Street, Bloemfontein, South Africa.
- HUTCHINSON, ERIC HUMPHREYS, Clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.
- HUTTON, KENNETH BARKER, Clerk to Maurice Thompson, 30, Mark Lane, London, E.C.3.
- JOHNSON, GEORGE HARRY, 27, Ashburn Road, Heaton Norris, Stockport, Practising Accountant.
- KING, STANLEY, Clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.
- KNIGHT, ERNEST THOMAS, Clerk to H. W. Holland, 27, Cannon Street, London, E.C.4.
- KNOX, ROY, Deputy Borough Treasurer, Municipal Buildings, Blyth.
- LEEFE, CECIL ERNEST, Clerk to George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban.

- LENTILL, CARL IVOR, Montpelier Chambers, Sidmouth Street, Seaton, Devon, Practising Accountant.
- LOVATT, HENRY BATTERSON, Clerk to Wenham Brothers & Co., 36, New Broad Street, London, E.C.2.
- MACKENZIE, JAMES STREETER, Clerk to A. C. Roberts, Wright & Co., 9/10, Pancras Lane, Queen Street, London, E.C.4.
- MOODY, ALEC BERTRAND, Clerk to Fawley Judge & Easton, Parliament Street, Hull.
- MORRIS, JOHN CHARLES, Clerk to Harper, Pilling & Co., 25, Acresfield, Bolton.
- OCKENDEN, EDWARD, Finance Department, Westminster City Hall, Charing Cross Road, London, W.C.2.
- PRICE, EDWIN HORACE, Clerk to Wilde, Ferguson-Davie & Miller, 61½, Fore Street, London, E.C.2.
- PUCKRIDGE, LILIAN MARGARET, Accountant's Department, Public Trustee Office, London, W.C.2.
- RAINBOW, SIDNEY CHARLES, Clerk to Keens, Shay, Keens & Co., 11, George Street West, Luton.
- READ, FRED, Accountant's Department, Bucks County Council, County Hall, Aylesbury.
- ROBERTSON, WILLIAM ERNEST, Clerk to Lowe, Bingham & Matthews, 90, Fenchurch Street, London, E.C.3.
- ROBSON, JOHN ELTRINGHAM, Clerk to James L. & F. S. Oliver, Union Chambers, 32, Grainger Street West, Newcastle-on-Tyne.
- ROGERS, THOMAS, Clerk to W. W. Smiles & Co., Norwich House, Southampton Street, Bloomsbury, London, W.C.1.
- SMITH, ALBERT EDWARD, Clerk to Fletcher Hibbert, Lancaster House, Doncaster.
- SOTHAM, GEORGE BRIAN, Clerk to S. J. Dudbridge & Sons, 8, Lansdown, Stroud, Glos.
- STOTT, WILLIAM, Clerk to P. & J. Kevan, 12, Acresfield, Bolton.
- TAYLER, FREDERICK JOHN, Clerk to George Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban, South Africa.
- THOMPSON, HAROLD FREDERICK (Edward Blinkhorn, Lyon & Co.), Bank Chambers, 69, Leadenhall Street, London, E.C.3, Practising Accountant.
- WARR, FRANCIS MERCHANT, County Accountant's Department, 12, Northgate Street, Warwick.
- WHEADON, IVOR CECIL NEWMAN (Black, Wheadon & Co.), Central Chambers, Lumley Road, Skegness, Practising Accountant.
- WILKINSON, DONALD WESLEY, Clerk to Ward & Clarke, Castle Chambers, Cheapside, Preston.

LIEN CLAIMED FOR ACCOUNTANCY CHARGES.

In the Mayor's and City of London Court, before Judge Shewell Cooper, a claim was made by Mrs. R. Hanna, guest house proprietor, 15, Upper Gloucester Place, London, N.W., against Mr. Owen Stallwood, Incorporated Accountant, 26, Martins Lane, Cannon Street, London, E.C., for damages for the detention of documents and books relating to her business which she entrusted to the defendant from which to prepare accounts, and which he detained. The defendant claimed to have a lien upon the documents until his charges, amounting to 27 guineas, had been paid.

Mr. Wynne Wernincke was counsel for the plaintiff, and Mr. H. Williams represented the defendant.

Counsel said that the plaintiff was the proprietor of a guest house business, and in February last was required by the Inspector of Taxes to provide certain accounts. The matter was entrusted to the defendant, who was given books, papers,

vouchers, &c., with which to make up the account. When the work was finished the defendant sent in a bill of charges amounting to 25 guineas for the making of the account, which the plaintiff thought was excessive and declined to pay. The plaintiff had tendered a sum of £20 as being a reasonable sum for payment of the work the defendant had done, but the defendant declined to accept that figure and claimed a lien upon the documents in his possession until his charges were paid. The question for the Court to decide was what was a fair and proper charge to be made by the defendant for the work actually done. After the making of the account a further charge was made by the defendant for 2 guineas for work done since, making in all a sum of 27 guineas.

The plaintiff, giving evidence, said she had two places of business, one at 15, Upper Gloucester Place, London, N.W., and the other at 1, Rutland Gate, London, S.W. In February, 1927, in consequence of a letter received from the Inspector of Taxes, she was introduced to the defendant, who was asked to prepare accounts to satisfy the Inspector. She gave him all the documents she had, from which the defendant was to prepare the accounts. She was not satisfied with the account as prepared, and told the defendant that the figures shown were not correct. She had not requested the defendant to send the account to the Inspector of Taxes, but found that that had been done before the account had been signed by her. She had pointed out that sufficient allowance had not been made for housekeeping expenses in the account, and defendant had promised to amend the figure. On account of the figure shown it would seem that a larger profit than that actually made was drawn from the houses. There had been no discussion with the defendant as to what his charges should be for the work, but after the receipt of his bill, she had discussed the matter over the 'phone and said she thought the amount charged was excessive. She said she wanted the matter settled nicely, and that she was prepared to pay a fair amount for the work done. The defendant asked her what she thought was a fair amount, and she replied half the amount charged. The defendant asked her to send him £20, but she said she had not so much money, and asked defendant to accept £10 down and £10 in two months' time. The defendant refused this and said he knew she had got the money to send him the cash. She had since paid the £20 into Court.

The defendant, giving evidence, said he was an Incorporated Accountant, and became qualified in 1919. He had been consulted by the plaintiff on February 3rd, 1927, over the 'phone, and made an appointment for February 7th at his office. The plaintiff told him that she was in a difficulty with the Revenue Authorities, and that they required accounts for the purposes of assessment. He told her he would communicate with the authorities, which he did, asking them to hold the matter in abeyance. He made another appointment with the plaintiff to receive the whole of the books and documents it was necessary for him to have for the purpose of making the account required. He had received the books and documents, and had attended to the matter personally. He had spent 57 hours over the work, which represented 8 days' work at 7 guineas per day. He had not charged that amount, but had halved it. It was not true that he ever agreed to amend his figures. The plaintiff was not satisfied that her expenditure had been put sufficiently high, but he had no documentary evidence upon which he could amend the figures. There was some suggestion of his receiving a sum of £20 for the work he had done, and that that amount should be paid by instalments, but he had refused to accept the suggestion. In view of the complexity of the matter, he thought it was one he should give his personal attention.

Judge Shewell Cooper, in giving his decision, said he had to decide what was a reasonable sum for the defendant to charge for the work he had done. There was no agreement in the case, but when deciding what was a reasonable sum he took care to safeguard the professional man. Having regard to the expensive training of a person really expert at his own work, it was right that he should be reasonably remunerated for his services, and whether the professional man was a solicitor, doctor, or accountant, that was a principle he did not lose sight of in dealing with such cases. When a professional man was engaged, he was entitled to receive the reasonable pay of a highly-qualified specialist, but he kept his eye on every transaction in order to see that advantage was not taken of the position. There was a good deal of work to be done in that case, and he (the Judge) was not prepared to say that the defendant had done anything that a qualified man should not have done. Sitting as a jury, he assessed a reasonable sum for the defendant to charge, treating him liberally, would be a sum of 15 guineas for the work done up to March 9th. In addition, there was a further charge of 2 guineas. The defendant, on his counterclaim, would be entitled to 17 guineas. Inasmuch as the plaintiff had tendered an amount in excess of what he was entitled to, the defendant was not justified in detaining the plaintiff's papers, and on that part of the case he (the Judge) awarded the plaintiff 40s. damages. There would be judgment for the plaintiff on the claim for the return of books, papers, &c., within seven days, and 40s. damages for detention, the plaintiff to have the costs on claim and counterclaim up to the date of the tender.

Incorporated Accountants V. M. C. A. Fund.

Final List of Donations.				£	s.	d.
<i>Previously acknowledged</i>				758	2	3
Messrs. Collard & Co.	..	..	..	2	2	0
Mr. William Eaves ..	..	..	..	2	2	0
Mr. H. C. Banting ..	..	..	..	2	2	0
Mr. W. S. Crouch ..	..	..	..	2	2	0
Mr. W. Allison Davies ..	..	..	..	2	2	0
Mr. A. M. Hobbs ..	..	..	..	1	1	0
Mr. P. G. Norman ..	..	..	..	1	1	0
Mr. G. O. Boundy ..	..	..	..	1	1	0
Messrs. Mundy, Brewer & Co.	..	..	..	1	1	0
Mr. A. L. Lovegrove ..	..	..	..	1	1	0
Mr. G. L. H. Axworthy ..	..	..	..	1	1	0
Mr. J. W. Carter ..	..	..	..	1	1	0
Mr. G. Roby Pridie ..	..	..	..	1	1	0
Mr. H. F. O. Bence ..	..	..	..	1	1	0
Mr. A. F. Stallwood ..	..	..	..	1	1	0
Mr. G. A. Ridgway ..	..	..	..	1	1	0
Mr. W. J. Bennett ..	..	..	..	1	1	0
Messrs. Atkins, Chirnside & Co.	..	..	..	1	1	0
Messrs. W. T. & L. Walters	..	..	..	1	1	0
Mr. A. E. Ashwell ..	..	..	..	1	0	0
Mr. A. Barraclough ..	..	..	..	0	10	6
Mr. J. W. Bromley ..	..	..	..	0	10	6
Mr. G. J. Hancock ..	..	..	..	0	10	6
Mr. T. E. Campbell ..	..	..	..	0	10	6
Miss P. E. M. Ridgway ..	..	..	..	0	10	6
Mr. E. J. H. Barker ..	..	..	..	0	10	6
Mr. W. L. Tuck ..	..	..	..	0	10	6
Mr. C. E. Perry ..	..	..	..	0	10	6
Mr. W. E. Hallam ..	..	..	..	0	7	6
Mr. C. E. Potts ..	..	..	..	0	5	0
Mr. H. P. R. Sprot ..	..	..	..	0	3	6

£789 6 3

WHAT CONSTITUTES A DEED OF ARRANGEMENT?

Before Judge Shewell Cooper, in the Mayor's and City of London Court, Mr. F. S. Ratford, trading as A. M. Ratford, of 5, St. George's Parade, Ilford, was the plaintiff in a garnishee summons, and Miss S. Josephs, trading as Madam Sonia, 34, Crown Street, Acton, milliner, was the defendant, with Messrs. Josolyne, Miles, Page & Co., Chartered Accountants, 28, King Street, London, E.C., who were the garnishees.

Mr. Franklin, Counsel for the plaintiff, said that Miss Josephs had incurred a debt with the plaintiff for which he had obtained judgment in the Ilford County Court, amounting to £41 7s. 3d., and dated May 14th, 1928. That judgment had not been satisfied, and it had since come to the knowledge of the plaintiff that the garnishees held a sum, believed to be £31 13s. 10d., belonging to Miss Josephs. It was understood that Miss Josephs had failed in business, with debts of something in the region of £200. It was the plaintiff's contention that Miss Josephs had executed a deed of assignment for the benefit of her creditors, and had handed the assets of the business to the garnishees for realisation and distribution *pro rata* amongst the creditors. The document had not been registered, and the plaintiff contended that in those circumstances it was void, and that the garnishees were simply holding the money as agents for Miss Josephs. If the contention that it was an assignment of property failed, plaintiff contended that it was an agreement for a composition and was still within the Act.

Mr. Kuhn, who appeared for the garnishees, quoted a decision in the case of *Lipton v. Bell*, heard in the King's Bench Division in 1920. The circumstances, he said, were almost identical to those in the present case, and the Court of Appeal had held that a letter similar in terms to the one in the present case was not a deed of arrangement. Mr. Kuhn further argued that it was not a composition as understood in bankruptcy law.

Judge Shewell Cooper said that the plaintiff, having obtained judgment for £41 7s. 3d. against the defendant, was seeking to attach for his benefit a sum of £31 13s. 10d. in the hands of the garnishees, Messrs. Josolyne, Miles, Page & Co. Mr. Franklin had said that the case was one in which a letter of April 30th last, addressed to the garnishees by the defendant, was void as not having been registered. He further contended that it was a deed of arrangement, and inasmuch as it was not registered it was wholly inoperative, and consequently the garnishees were holding the money simply as agents for the defendant. Mr. Kuhn, for the garnishees, however, had referred to the case of *Lipton v. Bell*, and in that case precisely similar words to those used in the letter adjudicated upon by the Court of Appeal. In that case the plaintiff Lipton had obtained a judgment against two people for £37 2s. 6d., and they took out a garnishee summons in the County Court with the object of attaching a debt which was said to be due from one Bell to the defendant in the case. The issue was tried in the County Court as to whether Bell, the garnishee, was indebted to the defendant. It was contended that the document, which was in precisely similar terms to the one in the present case, was a deed of arrangement. The County Court Judge had held that the letter was not a deed of arrangement, and the Court of Appeal took the same view. That judgment precluded him (his Lordship) from saying that the document in the present case ought to be registered as an assignment of property within sect. 1, sub-sect. (2) of the Deeds of Arrangement Act. The view taken by the Court of Appeal in that case was concisely expressed by Lord Justice Bankes, who said: "This document amounts to no more than an authority to realise the lady's

property." It was impossible for him (his Lordship) in the circumstances to say that the document in the present case ought to have been registered under the Act. That left the plaintiff in the position to contend that it was within the Act as being an agreement for a composition. It seemed to be clear, from the judgment in the Court of Appeal in the case of *in re Spackman*, that the language of the Act had to be construed having regard to the well known meaning of the phrases in the bankruptcy law before the Act. That seemed to be the right criterion to apply—"What did a composition mean?" It seemed clear from certain provisions of the Bankruptcy Act that a composition contemplated an allocation of a certain amount of money regularly to creditors. It seemed to be stretching language to say that an authority to the garnishee from the debtor to realise her assets and distribute them could be viewed as a composition. No one looking at the words reasonably could come to the conclusion that such an instruction could be said to amount to a composition, especially in view of the way in which Lord Justice Bankes described the effect of the words. In his (his Lordship's) view, the letter in the case did not require registration, and neither was it a composition. In those circumstances the plaintiff's application to garnishee the money in the hands of Josolyne, Miles, Page & Co. failed.

Judgment was given accordingly, with costs.

CLAIM AGAINST RECEIVER FOR DEBENTURE HOLDERS.

In the Mayor's and City of London Court, before Judge Shewell Cooper, Mr. Alexander Provern, 47, Guilford Street, London, W.C., chemist, sued Mr. G. R. Newman, Receiver of Vultex Products Limited, 11, Queen Victoria Street, London, E.C., for £17 10s. for three and a half weeks' salary at £5 a week from January 31st to February 25th, 1928.

Mr. Abrahams, for the plaintiff, said that in June, 1927, Mr. Provern was appointed chemist by Vultex Products Limited, under an agreement which contained a clause requiring three months notice on either side to determine. In February this year the holders of two debentures appointed Mr. Newman receiver and manager of the company. At the same time the managing director and secretary of Vultex Products Limited told the plaintiff they could no longer pay his salary. He was advised by the secretary to get in touch with the defendant, and he did so and continued to work. Owing to the unsatisfactory state of affairs, however, he found another appointment, and left on February 25th having given the defendant time to get another chemist, whom he assisted in settling down to the job. He received no salary for three and a half weeks prior to the date that he left, and contended that he could look to Mr. Newman for the amount due.

Mr. Provern, giving evidence, said he last received some money at the end of January, he being paid by the month. When matters became unsatisfactory he telephoned to the managing director of Vultex Products Limited, and that gentleman told him that he was "being pushed out of the concern and the assets of the company were being taken over by a receiver for debenture holders." He advised witness to look out for another job, and sent him a testimonial. "That caused the trouble," said witness, "because I got a testimonial and another job." When he found another appointment he wrote to the defendant saying he was prepared to stay on for a fortnight until someone else was obtained. In a telephone conversation Mr. Newman asked witness if he was going to receive a reply in the affirmative, and Mr. Newman said that he was in witness's hands. He advised Mr. Newman where he could apply for persons able to fill his place, and witness

assisted the new man for three or four days before leaving. Mr. Newman did make reference to the agreement, but witness told him that he understood it was at an end.

Judge Shewell Cooper said that the plaintiff's evidence did not disclose any ground for action against the defendant personally as receiver for the debenture holders. The best thing to be done was to substitute the Vultex Products Limited as defendants and serve them with the summons. The plaintiff would then have a preferential claim on the assets.

Mr. F. F. Smith, Counsel for defendant, asked for costs, and Judge Shewell Cooper said he was compelled formally to dismiss Mr. Newman from the case and award him costs.

PROVISIONAL NEW BANKRUPTCY RULES.

After the expiration of 40 days from July 25th, the Lord Chancellor, with the concurrence of the President of the Board of Trade, proposes to make such amendments to the Bankruptcy Rules, 1915, as are required to transfer the business of the Taxing Office of the High Court in Bankruptcy to the Masters of the Supreme Court Taxing Office. On account of urgency the above Rules come into immediate operation as Provisional Rules. Copies of the Draft and Provisional Rules, which may be cited as the Bankruptcy (No. 2) Rules, 1928, may be obtained directly from his Majesty's Stationery Office.

District Society of Incorporated Accountants.

NOTTINGHAM, DERBY AND LINCOLN. ANNUAL MEETING.

The nineteenth annual meeting of this Society was held in Nottingham on July 11th, at which the report and accounts were unanimously adopted.

A resolution, regarding the separation of the Leicester Society and the grant to that Society of £75, was passed. The name of this Society was changed to "The Nottingham, Derby and Lincoln Society" in accordance with the wishes of the Council.

The following officers were unanimously elected:—President, Mr. F. A. Prior, F.S.A.A.; Vice-Presidents, Sir James Martin, Alderman E. Harlow, Mr. J. N. Nutt, Mr. R. H. Mason, Mr. T. E. Clarke, Mr. H. Harris; Hon. Secretary, Mr. S. I. Wallis.

A resolution in the following terms was passed unanimously: "That this Society in General Meeting assembled desires to congratulate and to express its appreciation of the action of the President and Council in their far seeing action in acquiring Astor House as Headquarters of the Society."

Report.

The Committee have pleasure in presenting their nineteenth annual report and accounts for the year ended April 30th, 1928.

MEMBERSHIP.

The membership at April 30th, 1928, again shows a net increase of 5 practising members and 27 non-practising members: Practising members 51, non-practising members 129; total 180.

The Council of the Society, in co-operation with District Societies, have adopted a scheme for the admission of all Fellows and Associates to District Societies, which will shortly be submitted for confirmation.

REVIEW OF THE SOCIETY'S WORK.

During the session thirteen lectures have been held and also a joint debate with the Sheffield Society, at Sheffield. Attendance at lectures was appreciably better, and it is hoped will still further be improved.

The Society has been represented by the Secretary at two conferences of representatives of District Societies and the annual general meeting in London, and at the Conference in Manchester.

Discussions have taken place during the session regarding the desirability of forming a separate District Society for Leicester. This was sanctioned by the Council on May 22nd, 1928, and will be put into effect at the annual general meeting.

The annual dinner was held at the Victoria Station Hotel, Nottingham, on December 16th, 1927, and was again very successful.

The libraries are in fairly constant use, and it is hoped that members will avail themselves to a greater extent.

Four luncheons have been held in Nottingham, and this innovation has been successful. Owing to the benefits obtained by these meetings it is hoped that all members will give their support during the next session.

EXAMINATIONS.

Seven members were successful in passing the Final examination and fourteen members the Intermediate examination (one with Honours). The Committee tender their congratulations to the candidates.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

University Honours.

At the recent graduation at Edinburgh University Mr. George G. H. Garthwaite, B.Com., Incorporated Accountant, of the City Chamberlain's Department, received the degree of M.A., with honours, in Economic Science.

Multiple Shop Companies.

Mr. Victor G. Winslet, Incorporated Accountant, Edinburgh, has written for "The Accountant Students' Library" a very practical book on "Multiple Shop Companies," which is published by Gee & Co. (Publishers), Limited, 6, Kirby Street, London, E.C.

How Money Accumulates.

In 1852 an account was opened at the Dumfermline and District Savings Bank by the Wellwood Colliery Penny Bank. The last transaction was in 1876 when an attempt was made to pay out the depositors. At that time about £28 representing an original sum of £8 with accumulated interest remained in the bank at Dumfermline. Various attempts have been made to trace the rightful owners, and recently the matter was placed before the Registrar of Friendly Societies. After inquiries he has ordered the balance, now amounting to £88 6s. 4d., to be handed to the present owners of the Wellwood Colliery, who have intimated their intention to hand it over to the local miners' institute.

Educational Endowments Audit.

The Educational Endowments (Scotland) Bill provides that the periodical audit of the accounts of endowments within the Bill should be carried out in "such manner and by such person as the Department may from time to time prescribe." Mr. Cowan moved an amendment before the Standing Committee on Scottish Bills, the effect of which would have been to provide for a professional audit by Chartered or Incorporated Accountants. The Lord Advocate, however, was not prepared to accept the principle of a professional audit in this matter, but considered that the audit was essentially one for an experienced officer of the Scottish Education Department to undertake. The amendment was accordingly negatived, as also was an amendment to a similar effect moved by Sir Patrick Ford and supported by Mr. Ian MacIntyre.

An Aberdeen Rating Question.

Last month Lord Fleming gave judgment in an action by the North-Eastern Ice Company, Limited, Aberdeen, against the Aberdeen Town Council for certain declarators. The action raised an important question with regard to the effect of the provisions of the Rating (Scotland) Act, 1926, on the relief from the local rates known as the general and district rates, which was conferred on certain classes of subjects by sect. 89 of the Aberdeen Police and Water Works Act, 1863. This question only affected the City of Aberdeen, as there is no similar provision in the local Acts of any other Scottish cities. Sect. 89 provides that the Town Council shall not impose any general or district assessments on or in respect of

the machinery or utensils of any spinning mill, brewery, or other manufactory. The leading conclusion in the present action was that the corporation was not entitled to impose and levy on the pursuers as owners or occupiers general and district assessments computed with reference to an annual value for their factory. This conclusion raised the question whether the exemption of machinery from these rates, conferred by the local Act of 1862, was still in operation, notwithstanding the provisions of the Rating Act of 1926. The chief purpose of the later Act was to establish throughout Scotland a uniform system of rating as regarded local rates, and to provide as regarded certain specified subjects percentage deductions varying in amount according to classification. Lord Fleming dismissed the action as irrelevant. He held that the factory and machinery must be treated as a *unum quid*, and that the rates in question must be imposed upon the gross annual value less $6\frac{1}{2}$ per cent., and it appeared to him that the $6\frac{1}{2}$ per cent. could not be deducted from anything but the factory and the machinery contained therein.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B.:

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

BILLS OF EXCHANGE.

Auchteroni & Co. v. Midland Bank.

Indorsement of Bill in Blank.

The plaintiffs having sold goods drew a bill on the purchasers for the price. The purchasers accepted the bill and instructed the defendants to pay the bill when due. When the bill became due the plaintiffs indorsed it in blank and handed it to their cashier to take to their own bank for collection. The cashier, however, took it to the defendants and asked for cash over the counter. He received the cash and absconded. An action was brought for negligence, breach of trust, and conversion.

It was held (1) that, as there was no privity of contract between the plaintiffs and the defendants there was no duty to take care, and therefore no negligence; (2) that the defendants did not hold the money in trust for the plaintiffs; (3) that, as the demand for payment over the counter was, on the evidence, not so unusual that the defendants' suspicions ought to have been aroused, the defendants were protected by sect. 59 of the Bills of Exchange Act, 1882; and that therefore the action failed.

(K.B.; (1928) 44 T.L.R., 441.)

INSOLVENCY.

In re A Debtor.

Tender of one of two Debts.

Where two debts are owing by a debtor to a creditor, the creditor is not entitled to refuse tender of one debt for the purpose of enabling bankruptcy proceedings to be taken.

(Ch.; (1928) W.N., 146.)

In re Johns.

Mortgage of Shares.

Tomlin (J.) held that a device by way of mortgage intended to give the mortgagee an additional advantage in the event of the mortgagor becoming bankrupt is bad, as an attempt to evade the bankruptcy laws.

(Ch.; (1928) L.J.N., 640.)

In re Ford.

Goods on Sale or Return, or on Approval.

The trustee in bankruptcy claimed that certain goods supplied to the bankrupt by a firm of antique furniture dealers on approval were part of the property of the bankrupt divisible among his creditors and vested in the applicant as trustee of the property of the bankrupt.

It was held that there was a custom in the antique furniture trade for dealers or private individuals to send goods to retailers either on sale or return, or on approval, on the terms that the property did not pass to the retailer unless and until the retailer elected to purchase them or a sale was effected to a third party.

(Ch.; (1928) 44 T.L.R., 643.)

REVENUE.

Inland Revenue v. Scottish Central Electricity Company.

Mode of Assessment for Income Tax.

A company owned and occupied for the purpose of its trade certain lands and heritages which were admitted to be mills, factories or other similar premises within the meaning of Rule 5 (2) of the rules applicable to Cases I and II of Schedule D of the Income Tax Act, 1918.

It was held by the Court of Session, Scotland, that in estimating the profits or gains of the company for the purpose of assessment to income tax under Schedule D, the whole annual value of its trading premises fell to be deducted, and not merely the amount at which the premises were actually assessed for the purpose of collection of tax under Schedule A.

(C.S.; (1928) S.C., 260.)

Royal Insurance Company v. Stephen.

Deductions from Profits.

An insurance company had investments in railway stock. The Crown admitted that any loss suffered by the company on such investments was deductible from their profits for purposes of income tax. Owing to the operation of the Railways Act, 1921, the company received in exchange for their various railway holdings stocks in the four amalgamated railway companies created by that Act. The market value of these new stocks was less than the original cost to the company of the old stocks, and they claimed that the loss so occasioned to them should be allowed as a deduction from their profits for 1922 and 1923 in computing their liability to income tax under Case I of Schedule D.

Rowlatt (J.) held that as the effect of what had happened was that the old investments had been closed and realised and new investments had been begun, the company were entitled to the deduction claimed.

(K.B.; (1928) 44 T.L.R., 630.)

Morley v. Lawford.

Profits of Trade.

A firm of contractors for the sole purpose of obtaining contracts at Wembley subscribed to the guarantee fund of the Exhibition. In due course they were called upon to pay under the guarantee, and sought to deduct the sum so paid in computing their profits under Schedule D. The Commissioners held that the payment was a capital expense.

Rowlatt (J.) held that the payment was not sufficiently closely connected with the contractor's trade to be allowed as an expense of earning the profits. The question whether the payment was a capital payment did not therefore arise.

(K.B.; (1928) L.T.N., 563.)

Ensign Shipping Company v. Inland Revenue Commissioners.

Sum received by Shipowner for Detention of Ship.

A sum paid by the Government to a shipowner as compensation for the detention of a ship during a strike in the coal industry is assessable to excess profits duty as part of the profits of the shipowner's business.

(K.B.; (1928) 138 L.T., 180.)